

CONFIDENTIAL (FR) CLASS II-FOMC

*Material for
Staff Presentation to the
Federal Open Market Committee*

February 8, 1983

Principal Assumptions

Monetary Policy

- Growth of M2 of 8 percent from 1983-Q1 base.

Fiscal Policy

- No further action on FY 1983 budget.
- Deficit-reducing actions of about \$40 billion in FY 1984.

Energy

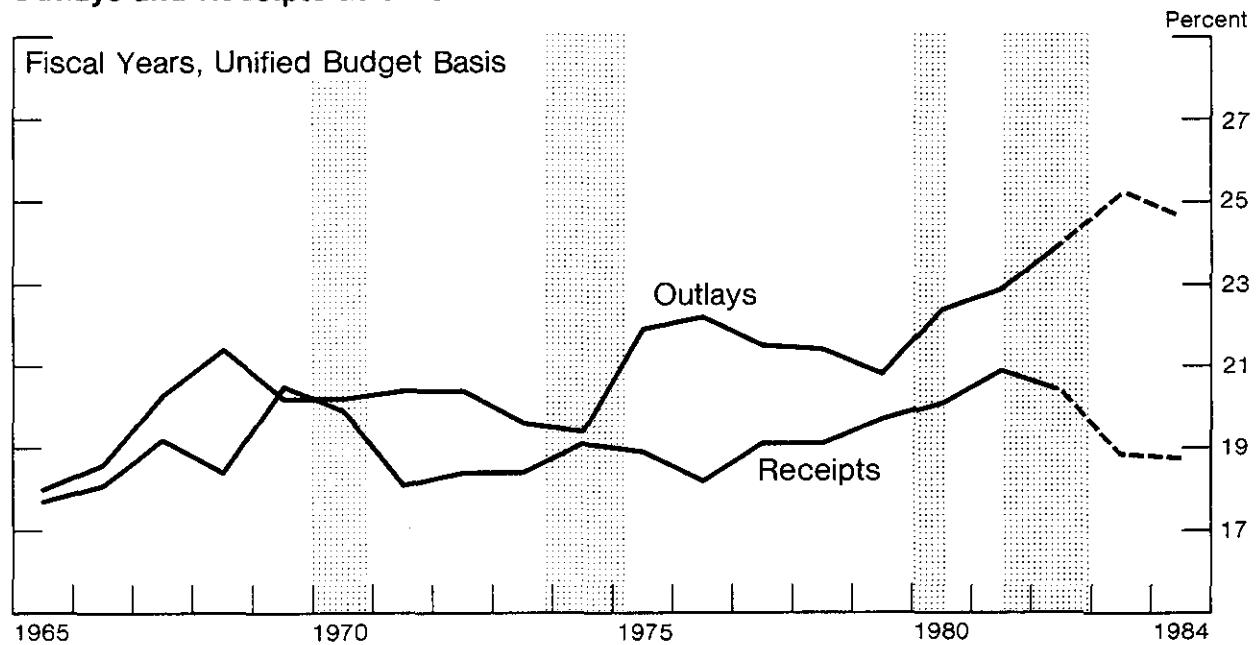
- Oil prices decline about 8 percent to \$29 per barrel.

Federal Budget

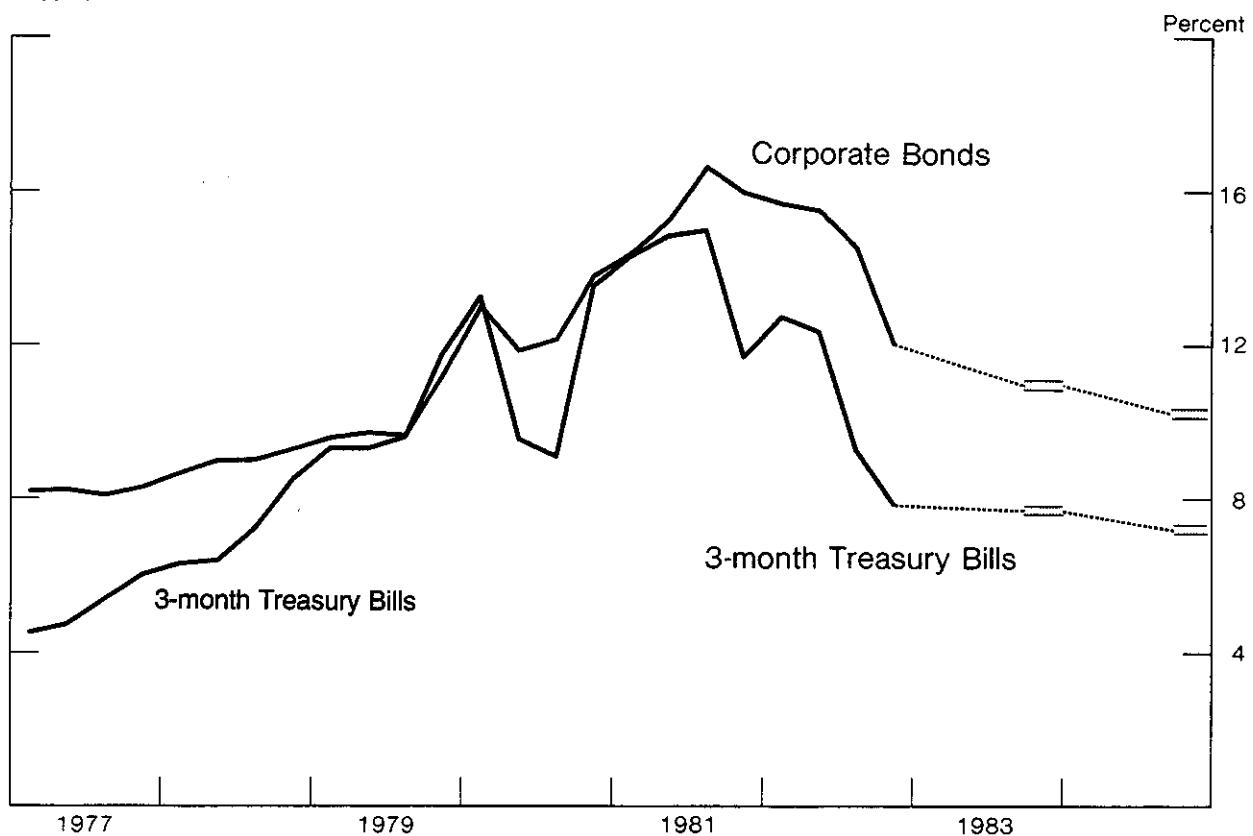
Fiscal Years, Unified Budget Basis, Billions of Dollars

	1982	1983		1984	
		Administration	Staff	Administration	Staff
Outlays	728	805	802	849	847
Receipts	618	598	600	660	643
Deficit	111	208	201	189	204
Structural Deficit	45	n.a.	72	n.a.	87

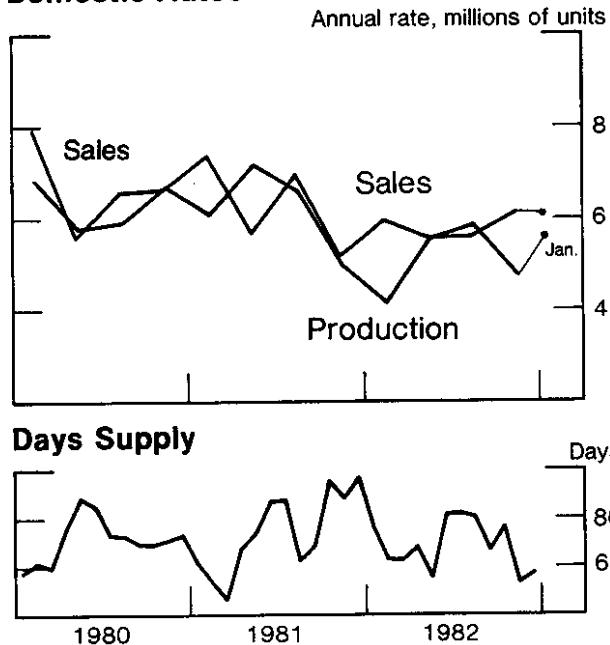
Outlays and Receipts as a Percent of GNP



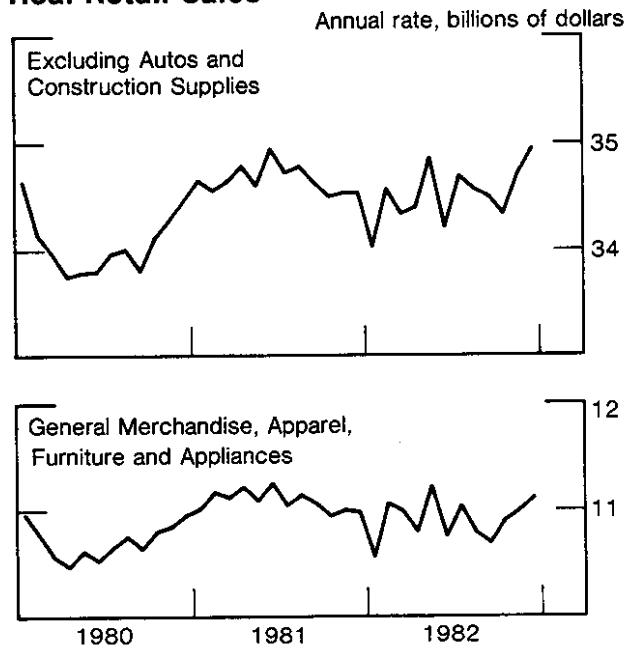
Interest Rates



Domestic Autos



Real Retail Sales

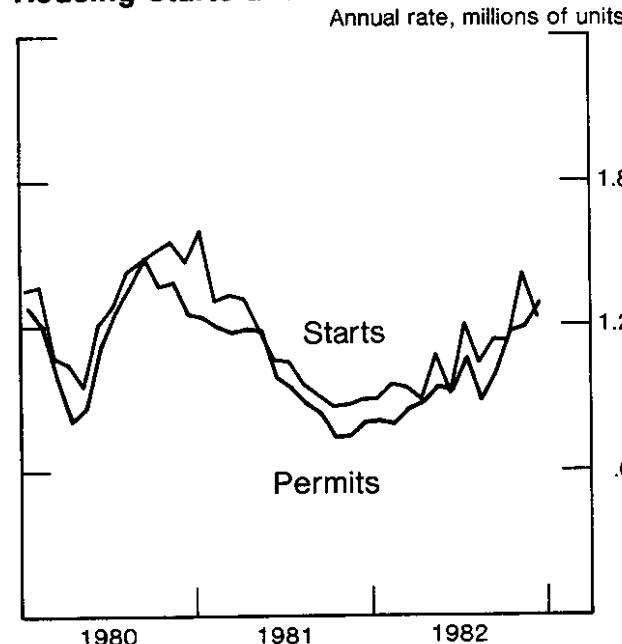


Days Supply



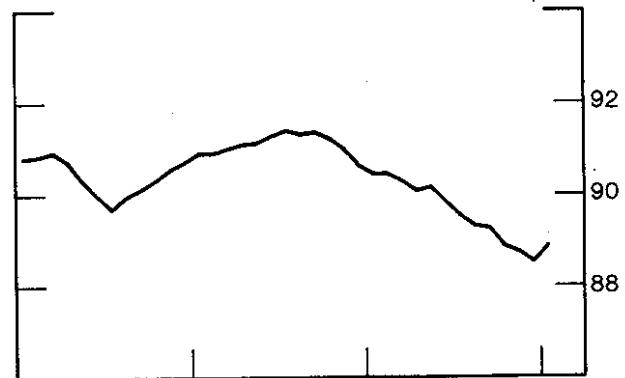
General Merchandise, Apparel, Furniture and Appliances

Housing Starts and Permits

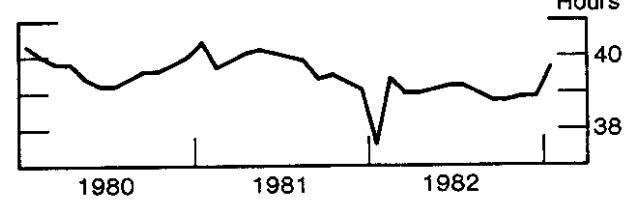


Nonfarm Payroll Employment

Millions of persons

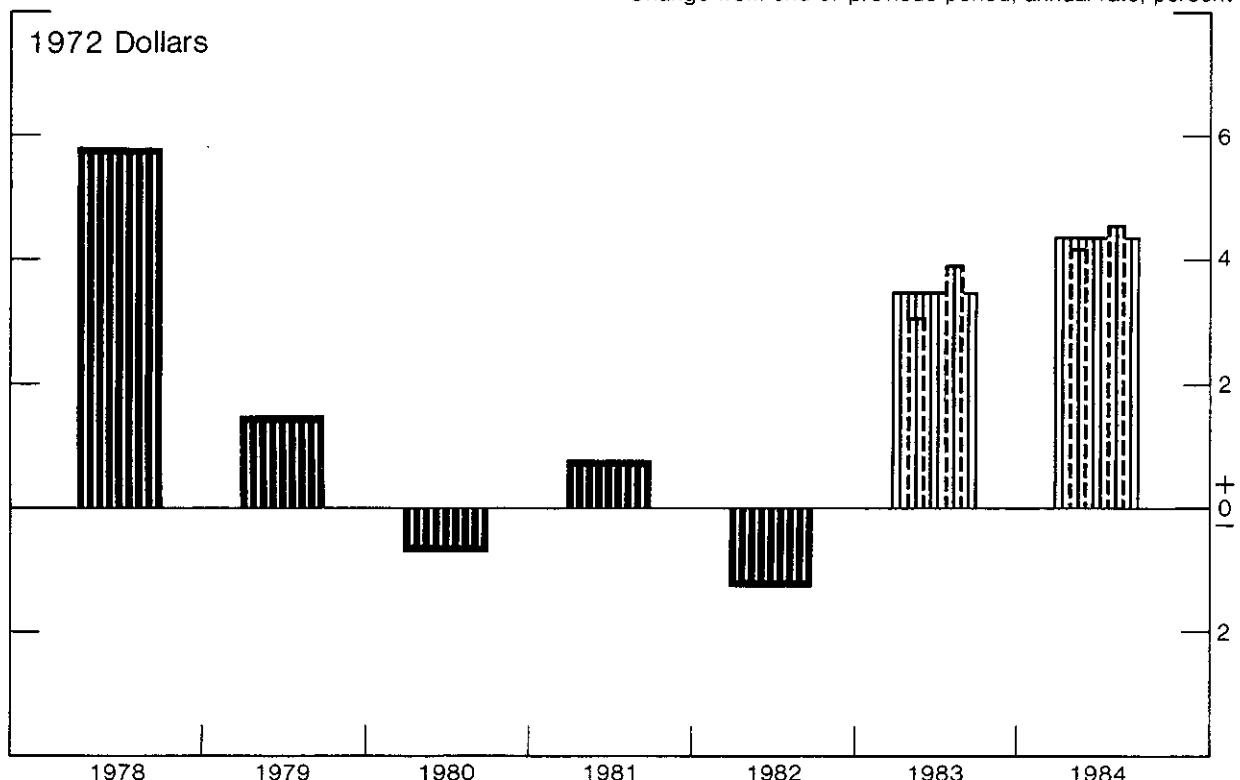


Manufacturing Work Week



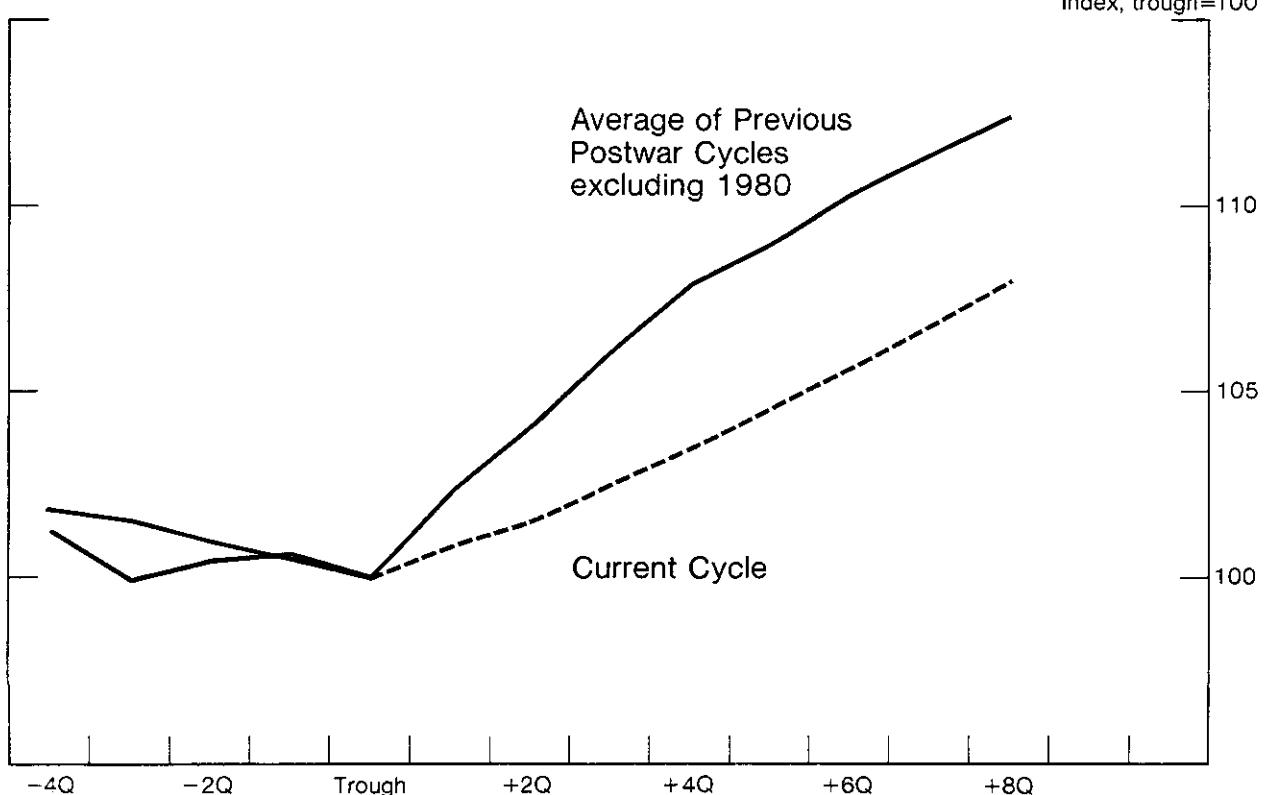
Real GNP

Change from end of previous period, annual rate, percent



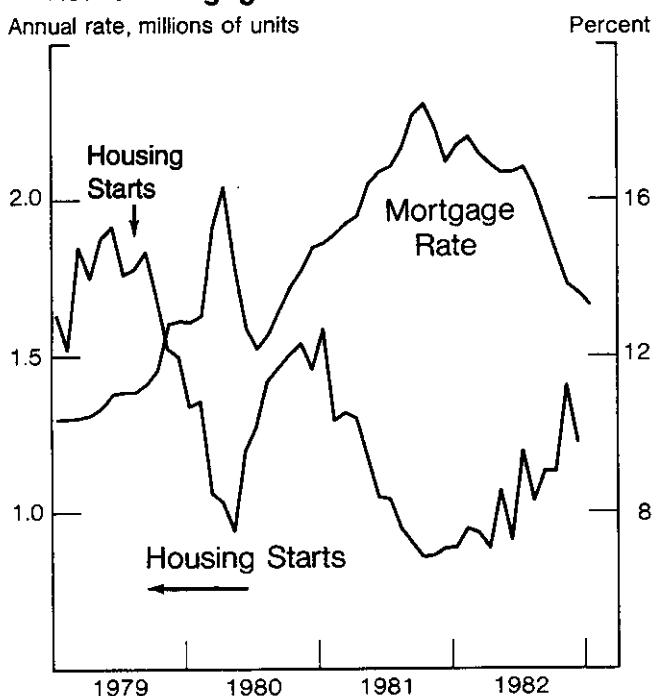
Comparison of Postwar Cycles in Real GNP

Index, trough=100



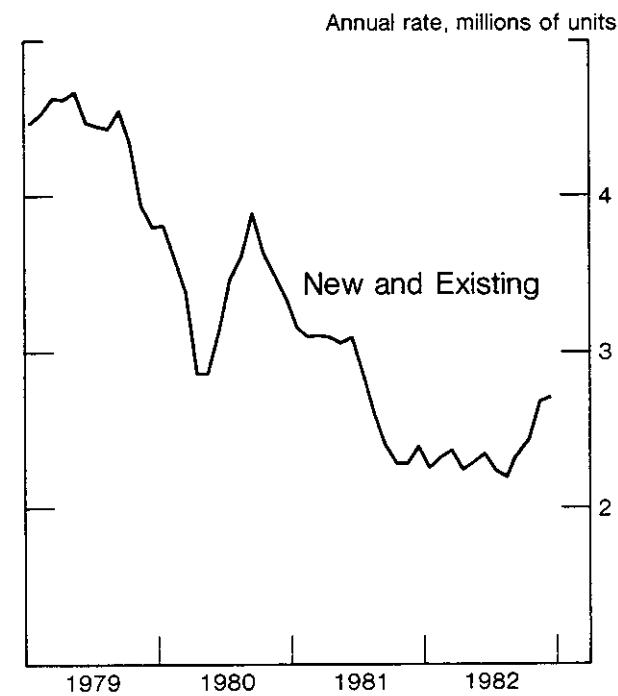
Housing Starts and Home Mortgage Rate

Annual rate, millions of units



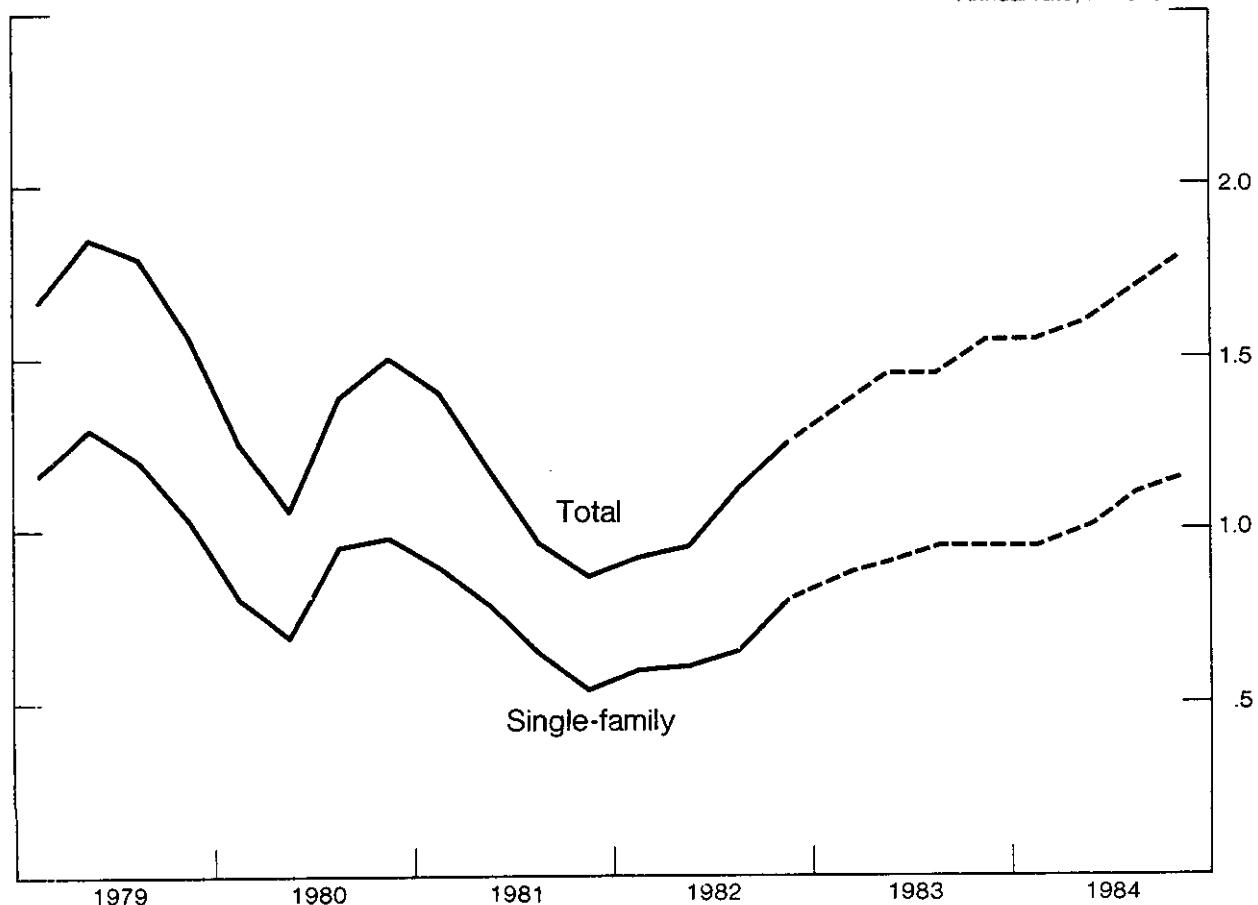
Homes Sold

Annual rate, millions of units



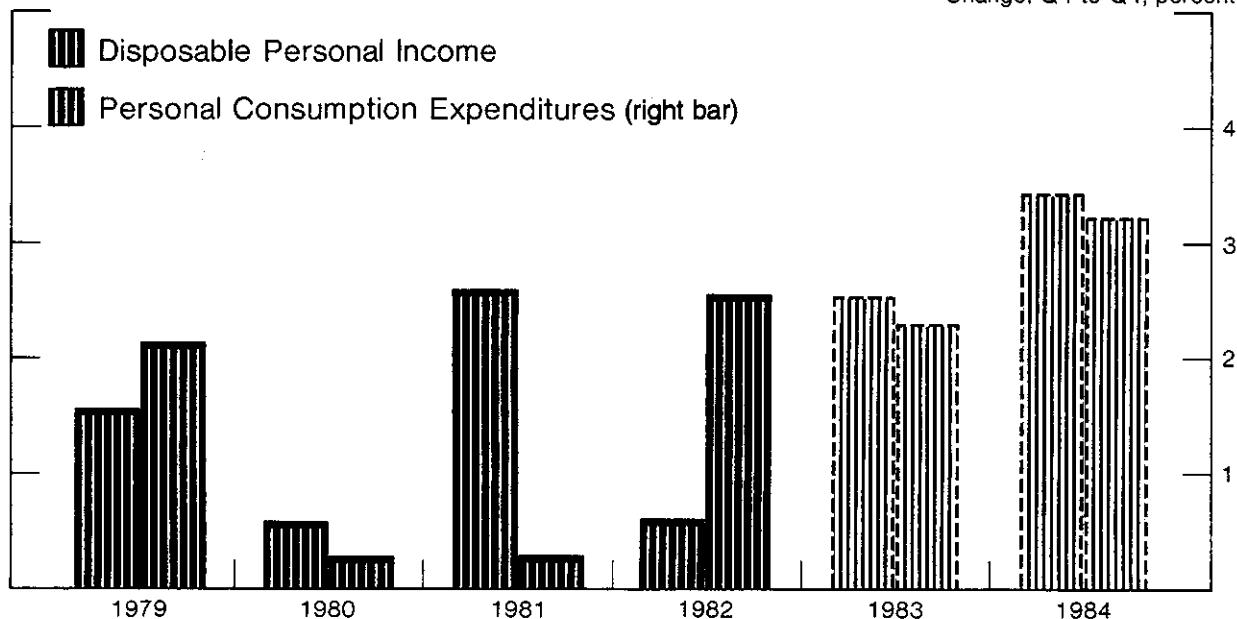
Housing Starts

Annual rate, millions of units



Real Income and Spending

Change, Q4 to Q4, percent

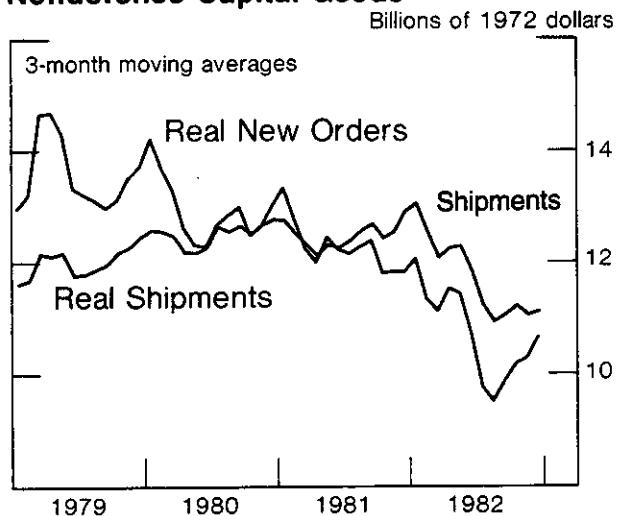


Saving Rate

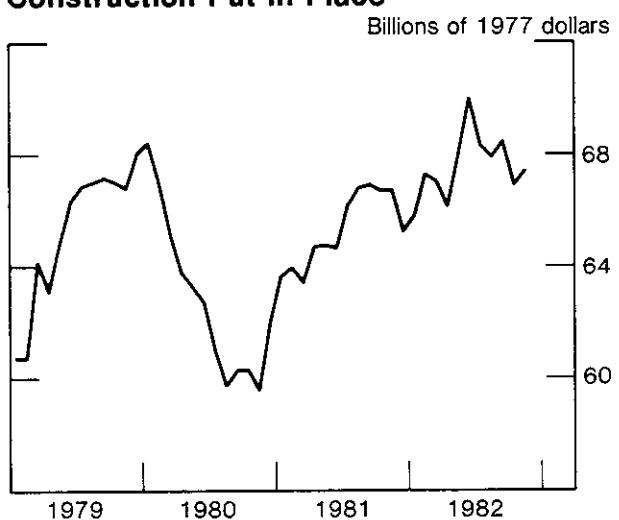
Percent



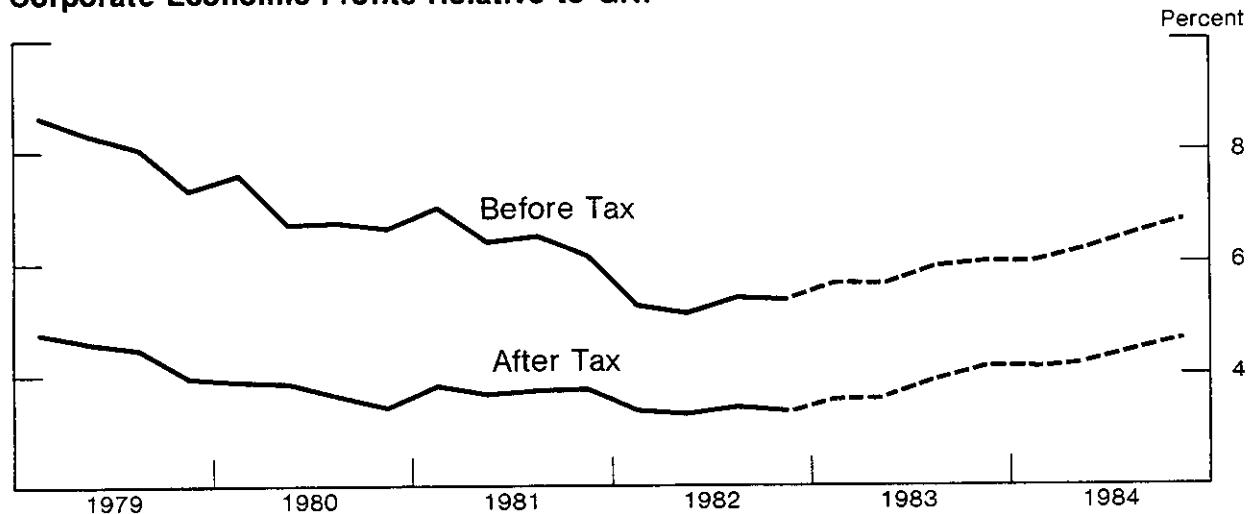
Nondefense Capital Goods



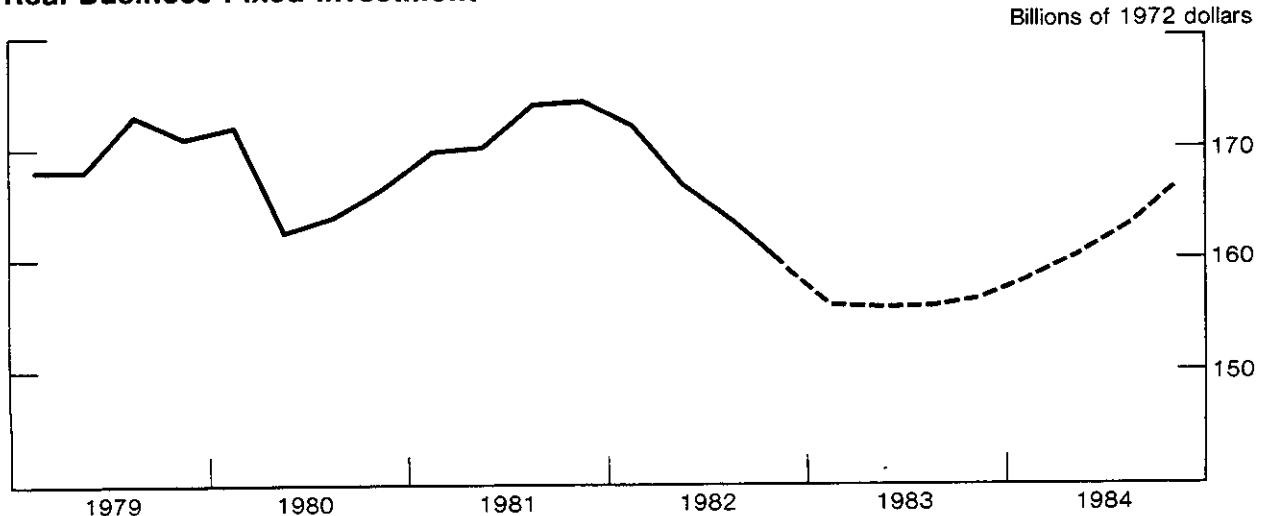
Value of New Nonresidential Construction Put in Place



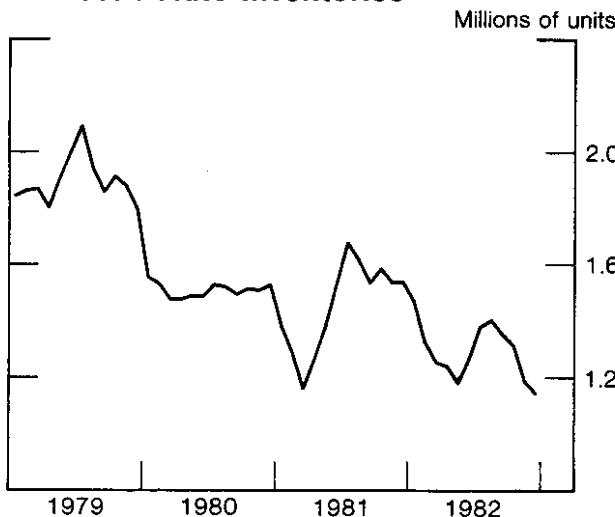
Corporate Economic Profits Relative to GNP



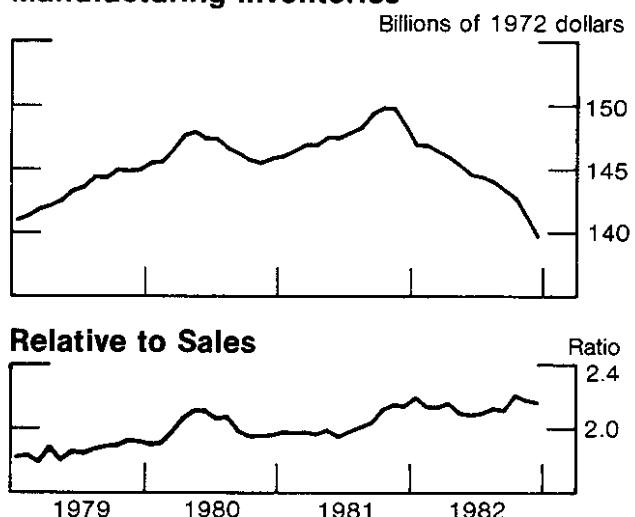
Real Business Fixed Investment



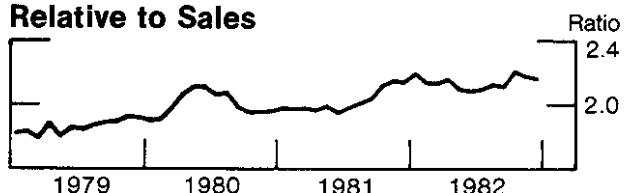
Domestic Auto Inventories



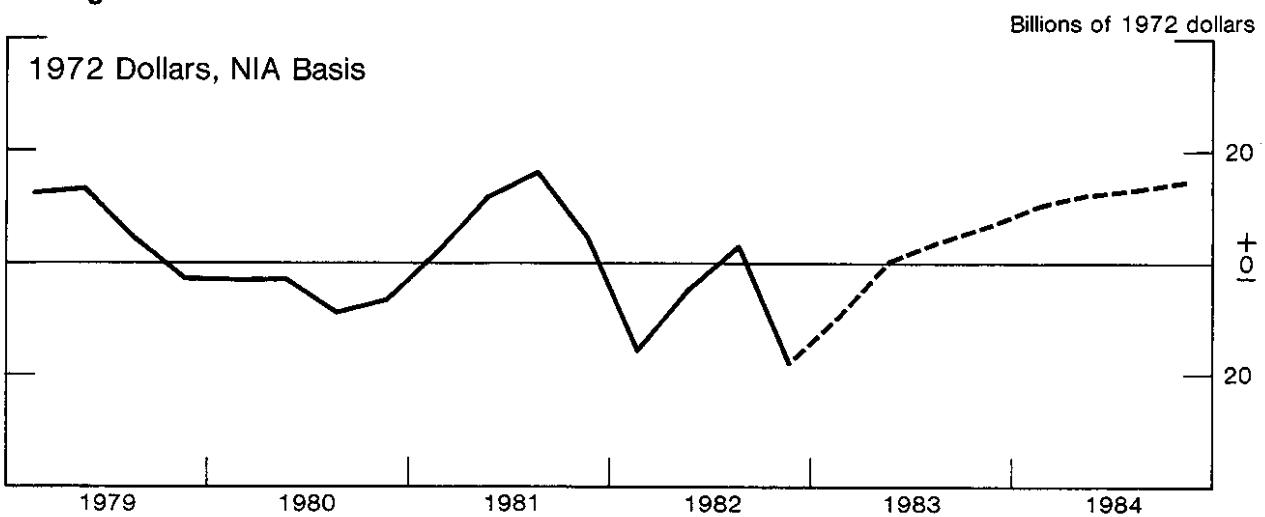
Manufacturing Inventories



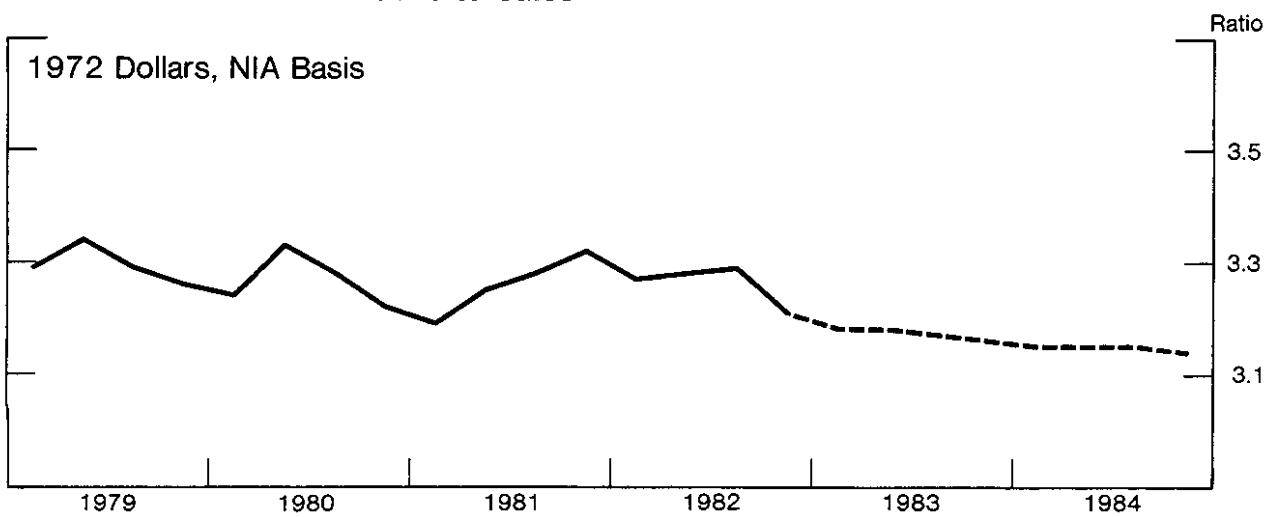
Relative to Sales



Change In Business Inventories

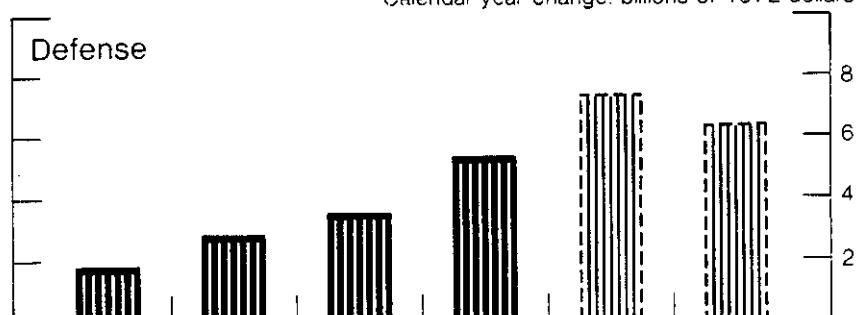


Business Inventories Relative to Sales

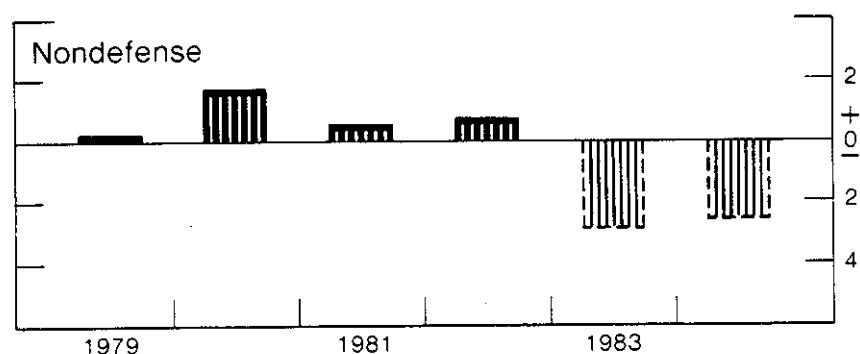


Change in Real Federal Government Purchases

Calendar-year change, billions of 1972 dollars

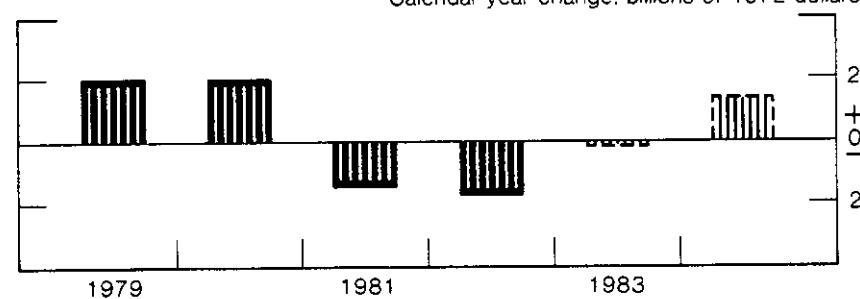


Nondefense



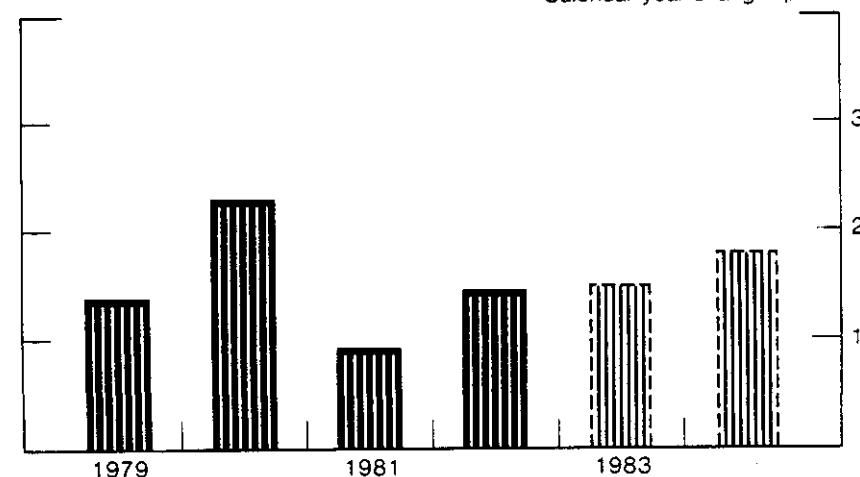
Change in Real State and Local Government Purchases

Calendar-year change, billions of 1972 dollars



Percent Change in Real Total Government Purchases

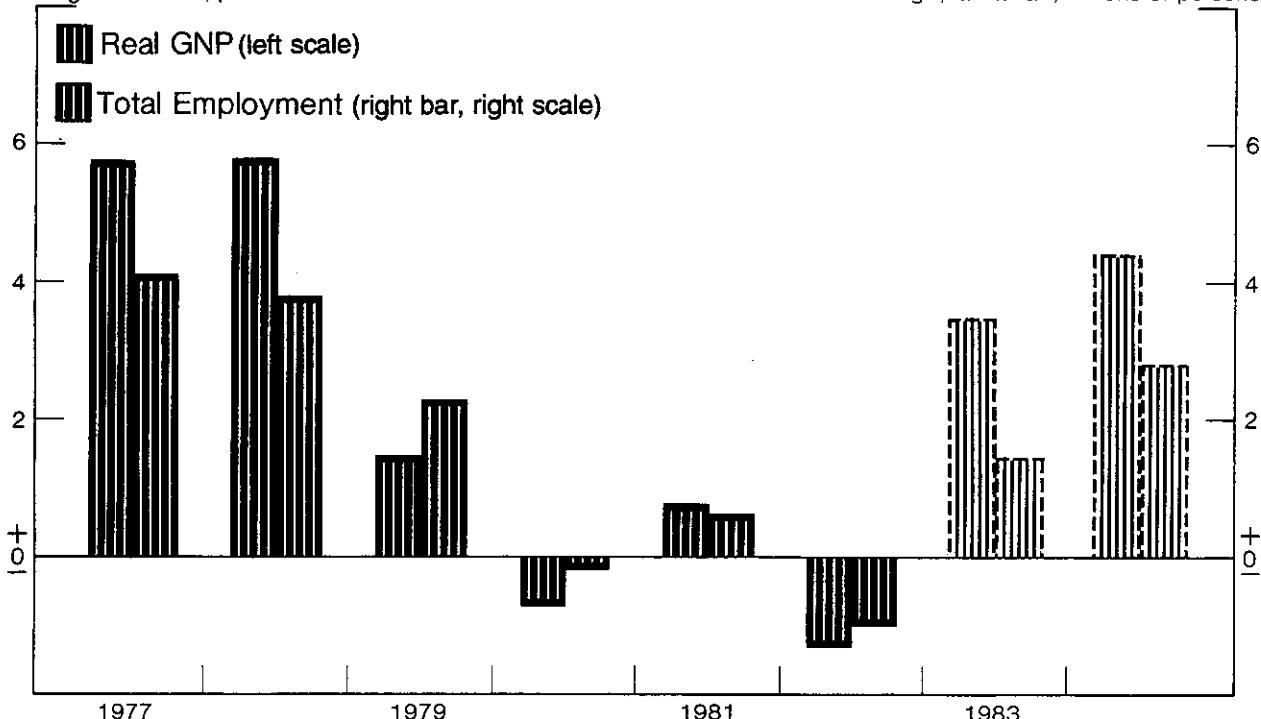
Calendar-year change, percent



Total Employment and Real GNP

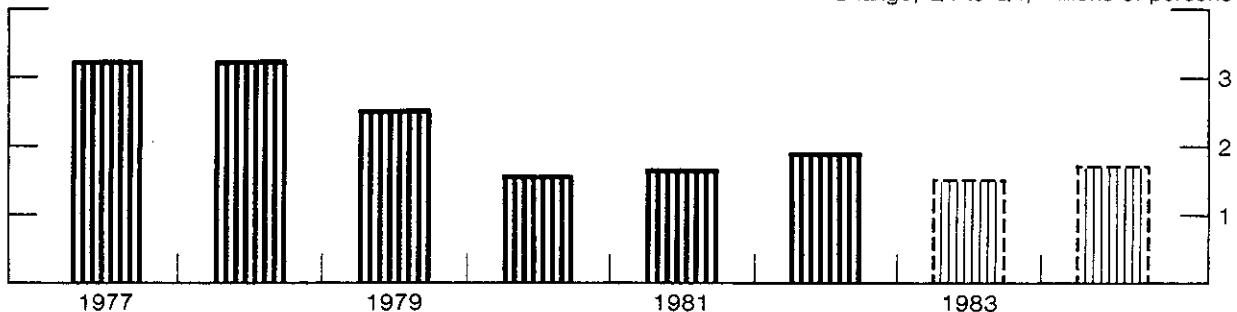
Change Q4 to Q4, percent

Change, Q4 to Q4, millions of persons



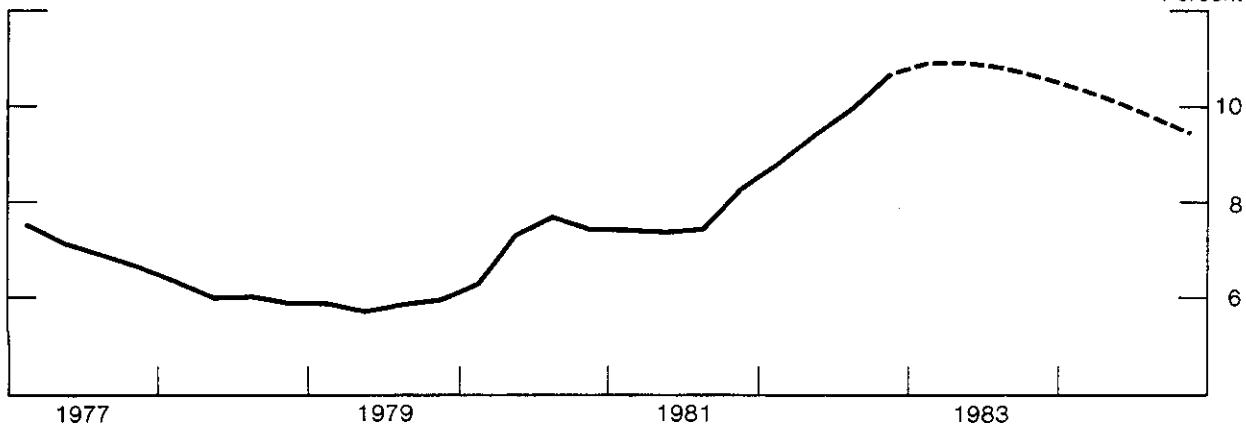
Civilian Labor Force

Change, Q4 to Q4, millions of persons



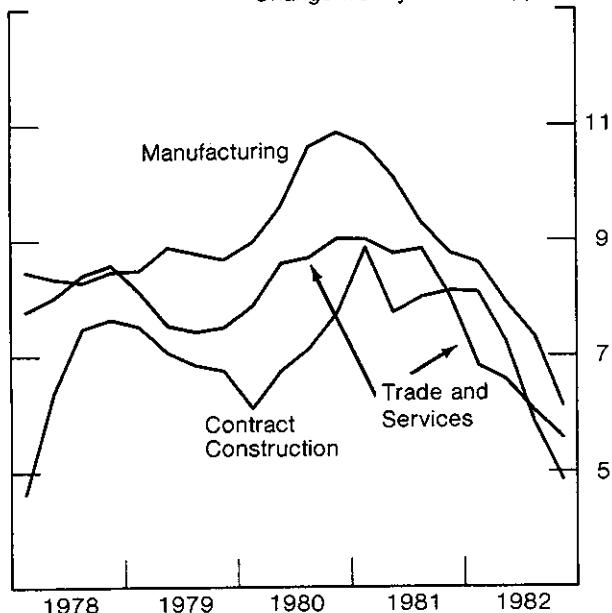
Unemployment Rate

Percent



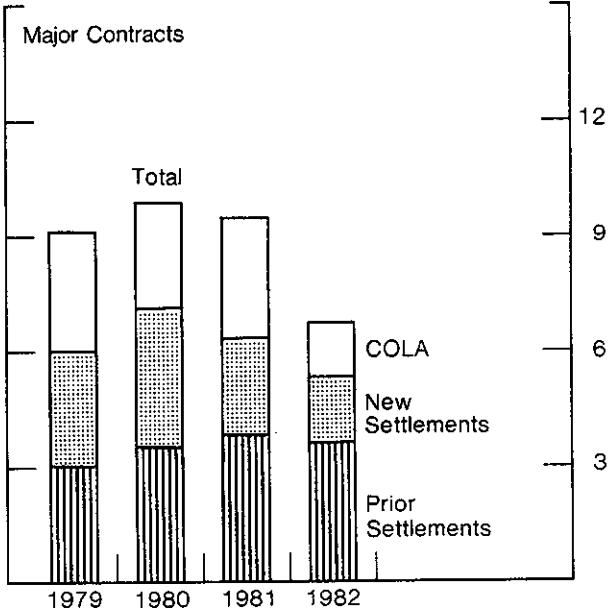
Hourly Earnings Index

Change from year earlier, percent



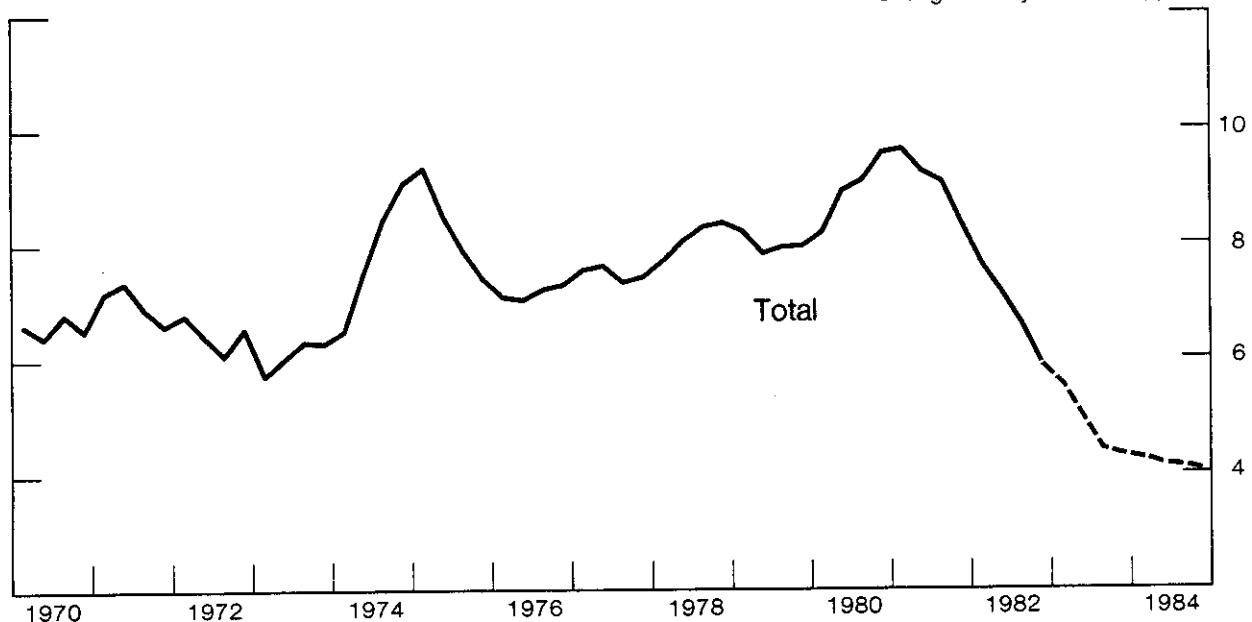
Union Wage Changes

Percent

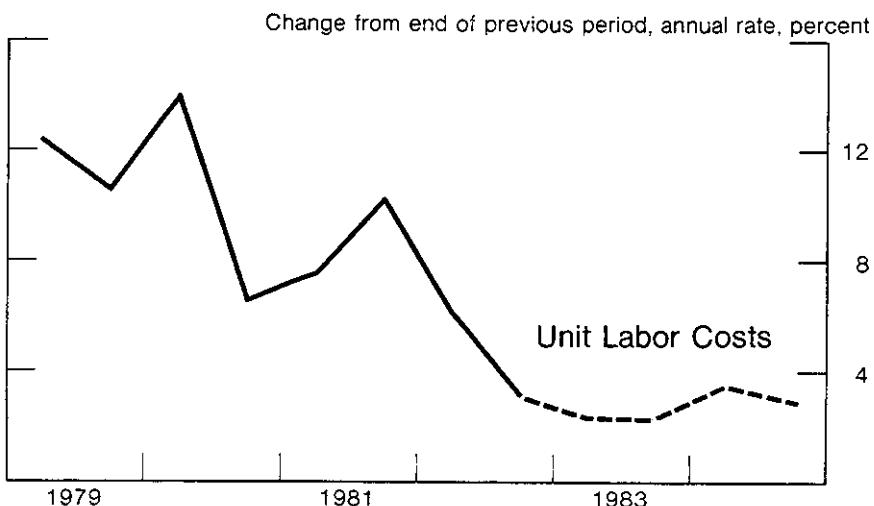
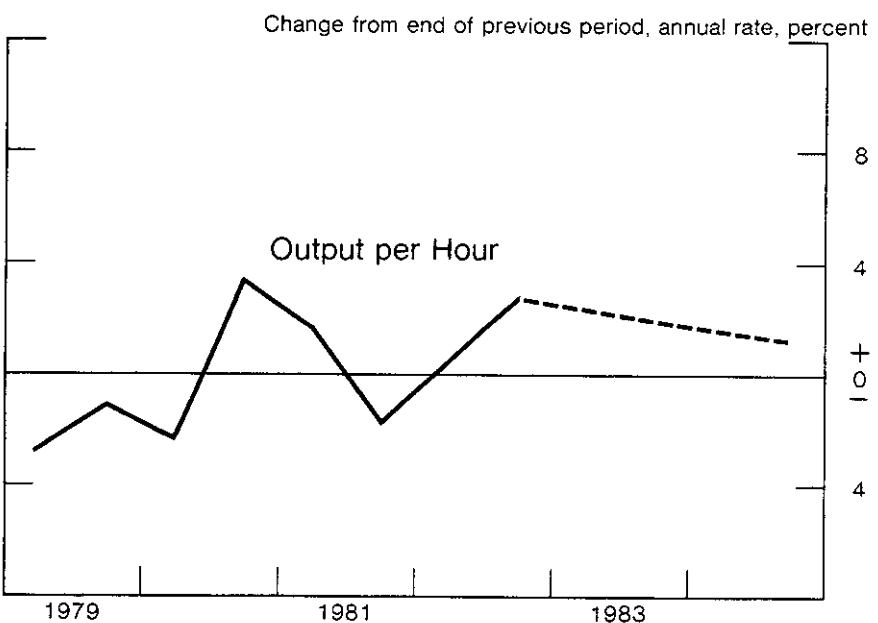
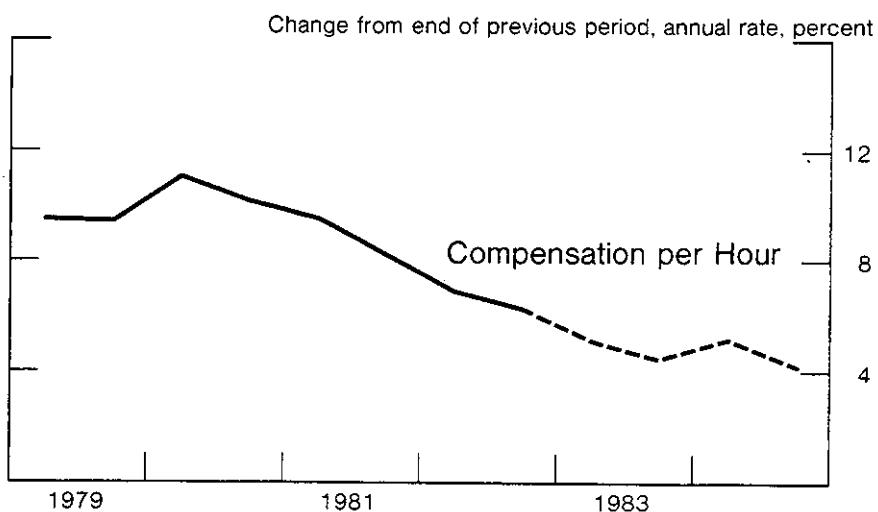


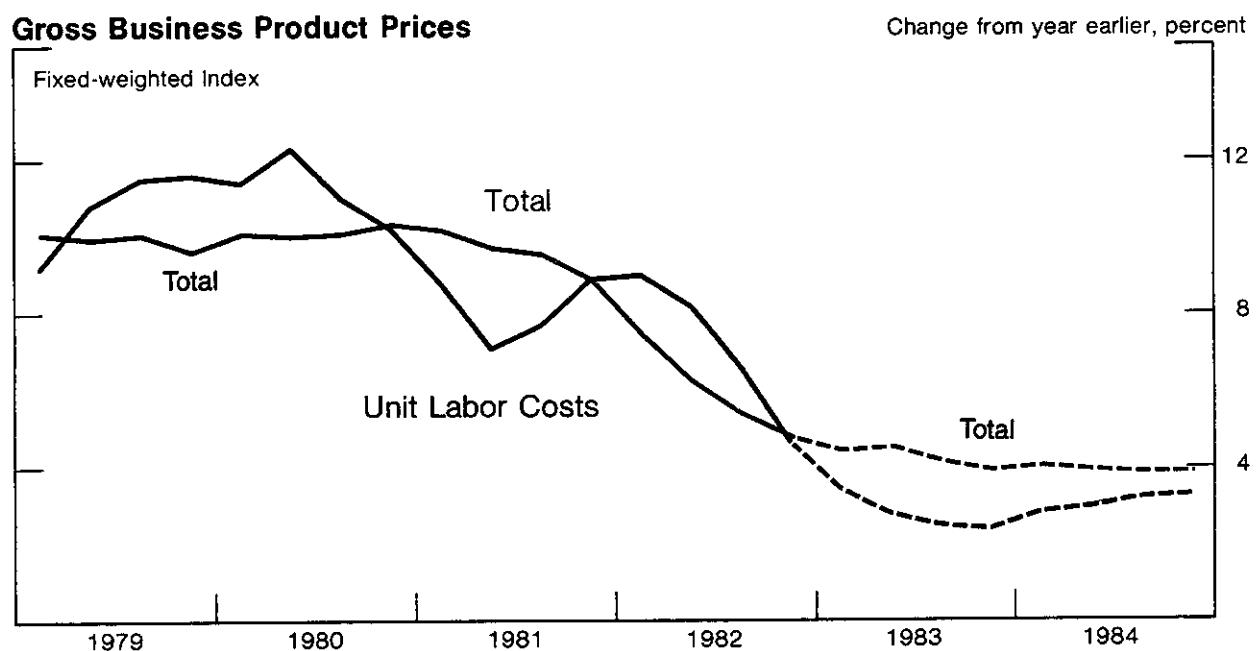
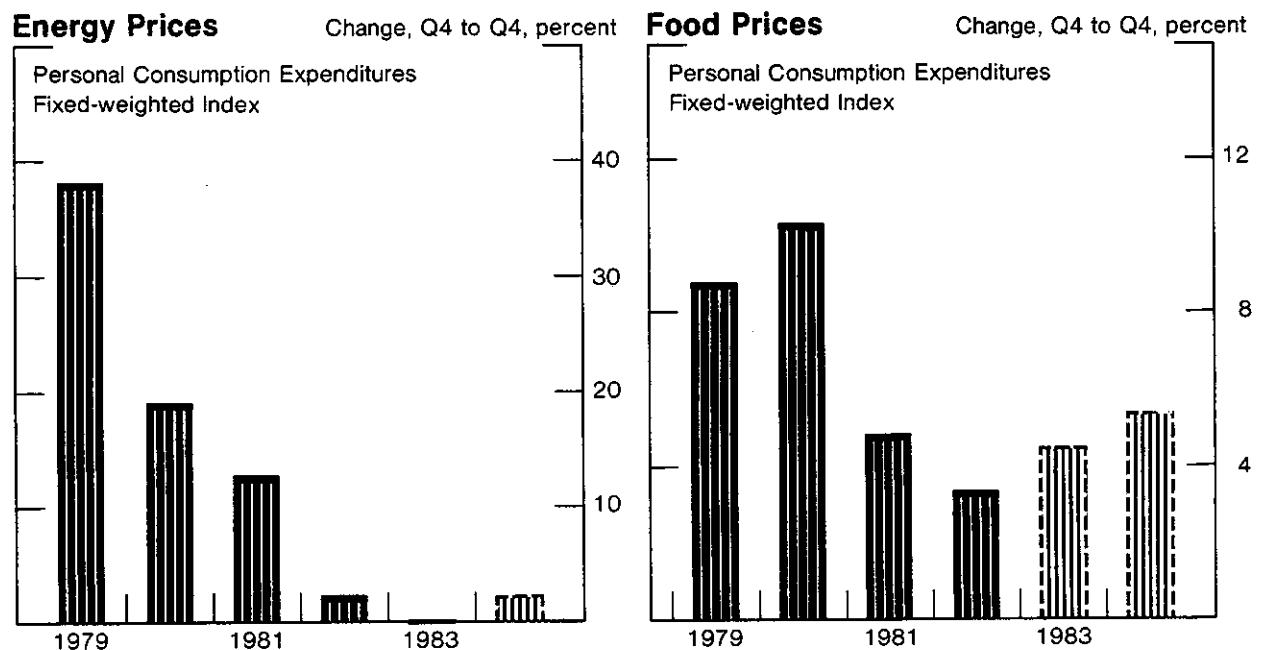
Hourly Earnings Index

Change from year earlier, percent

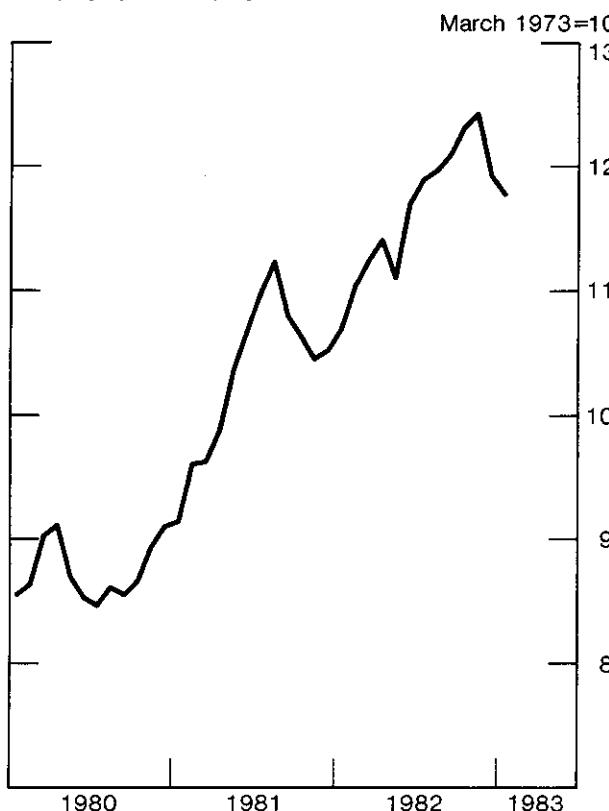


Unit Cost Indicators Nonfarm Business Sector

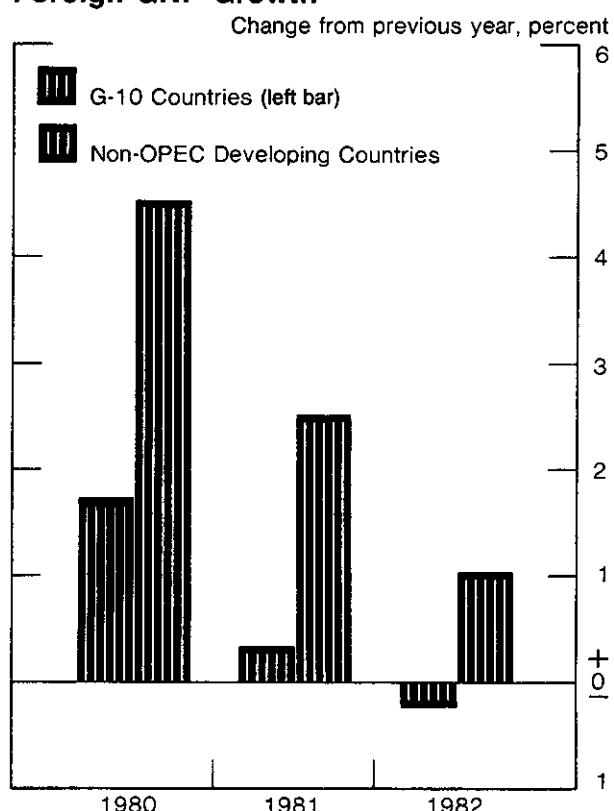




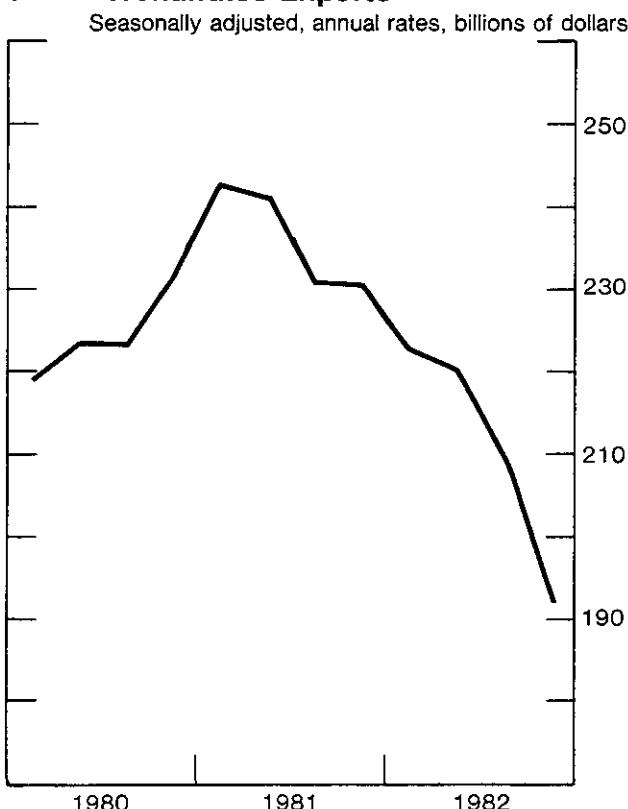
Foreign Exchange Value of the U.S. Dollar *



Foreign GNP Growth



U.S. Merchandise Exports



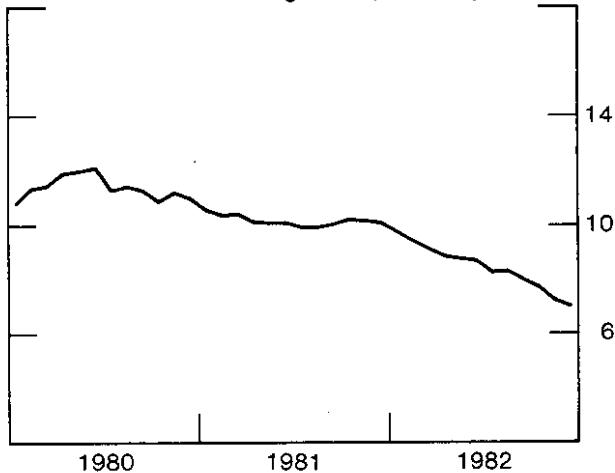
Components of the Export Decline between 1981 Q1 and 1982 Q4

By Area		By Commodity	
Total		Total	
—50		—50	
Developed	—21	Agricultural	—18
OPEC	—1	Nonagricultural	—32
Non-OPEC		Of which:	
Developing	—22	Industrial Supplies	—12
Countries		Machinery	—7
Other	—5	Aircraft	—5

* Weighted average against G-10 countries plus Switzerland using total 1972-76 average trade of these countries.

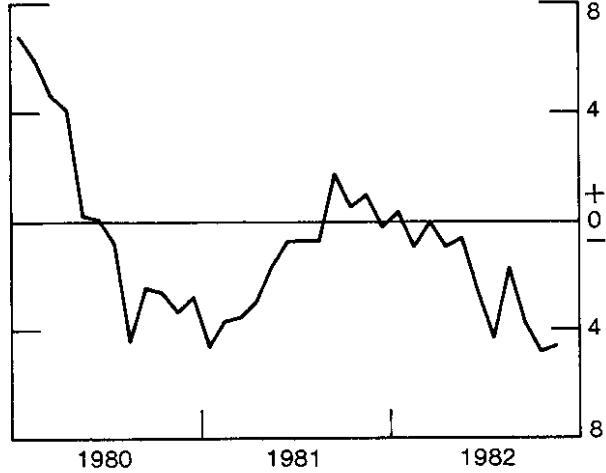
Foreign Consumer Prices*

Change from previous year, percent



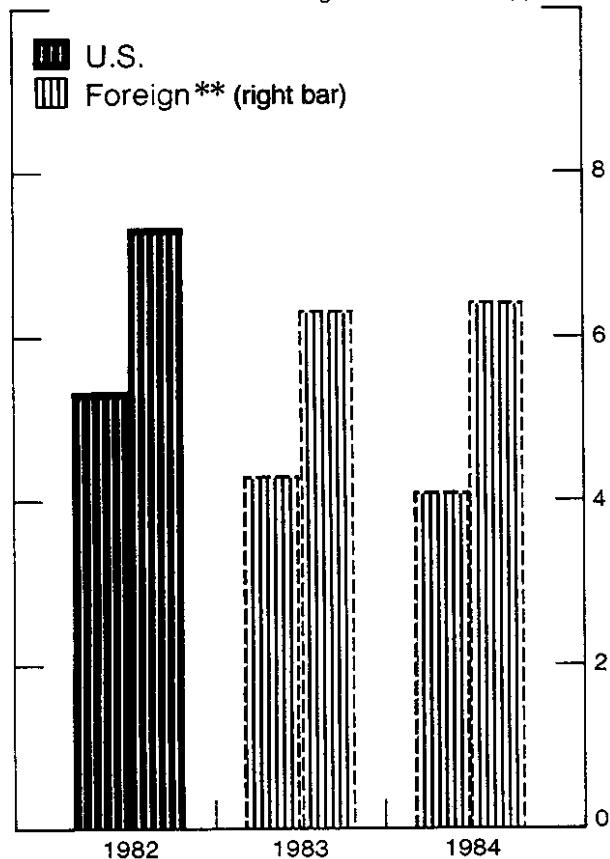
Foreign Industrial Production*

Change from previous year, percent



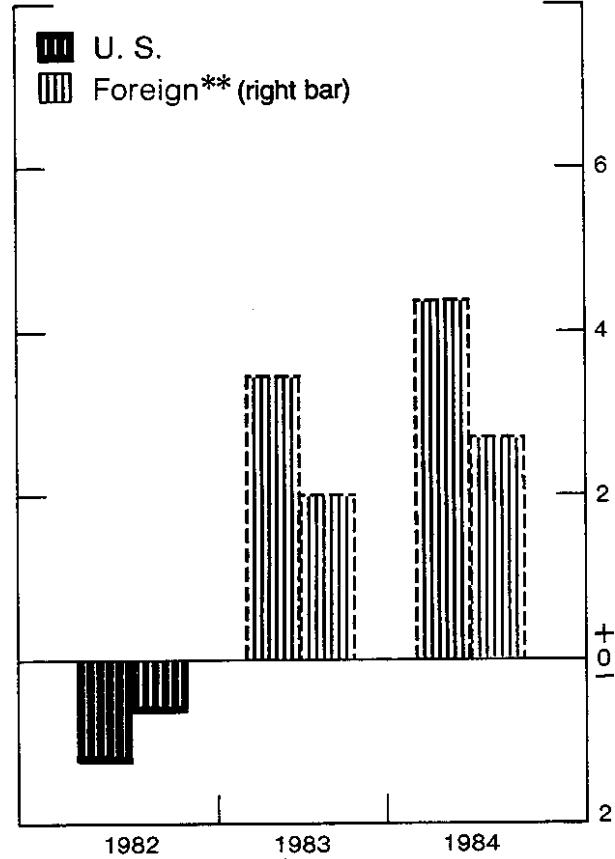
Consumer Prices

Change from Q4 to Q4, percent



Real GNP

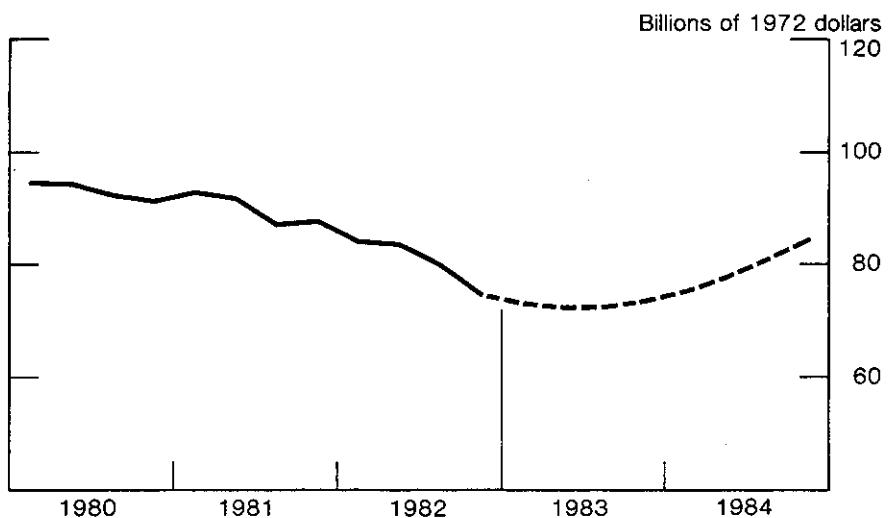
Change from Q4 to Q4, percent



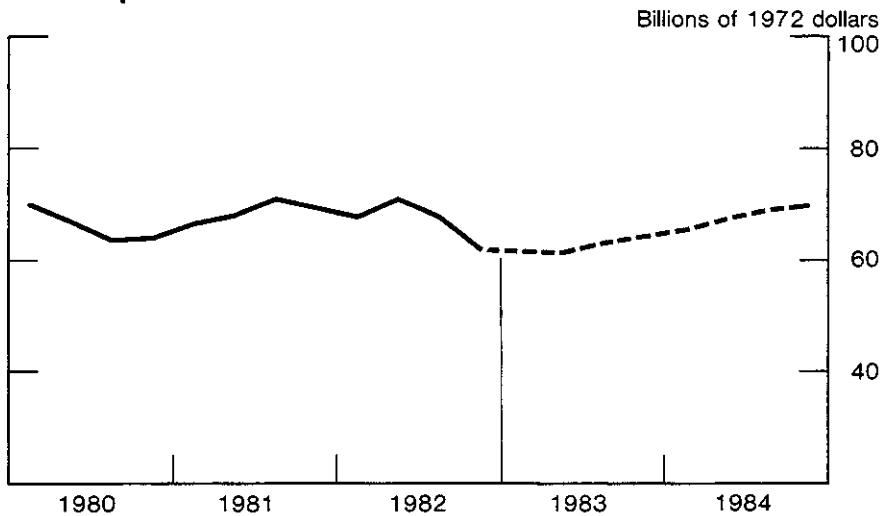
* Weighted average of six major foreign countries using total 1972-76 average trade of these countries.

** Weighted average of G-10 countries plus Switzerland using total 1972-76 average trade of these countries.

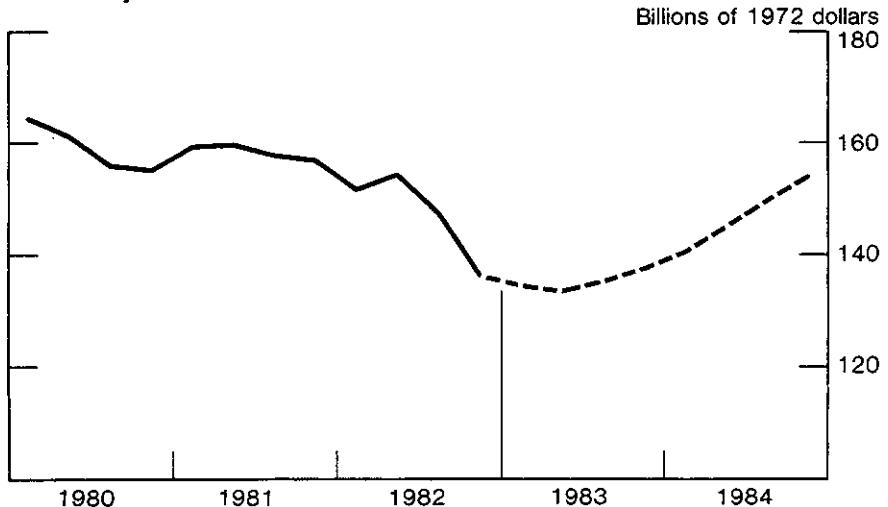
GNP Exports of Merchandise



GNP Exports of Services

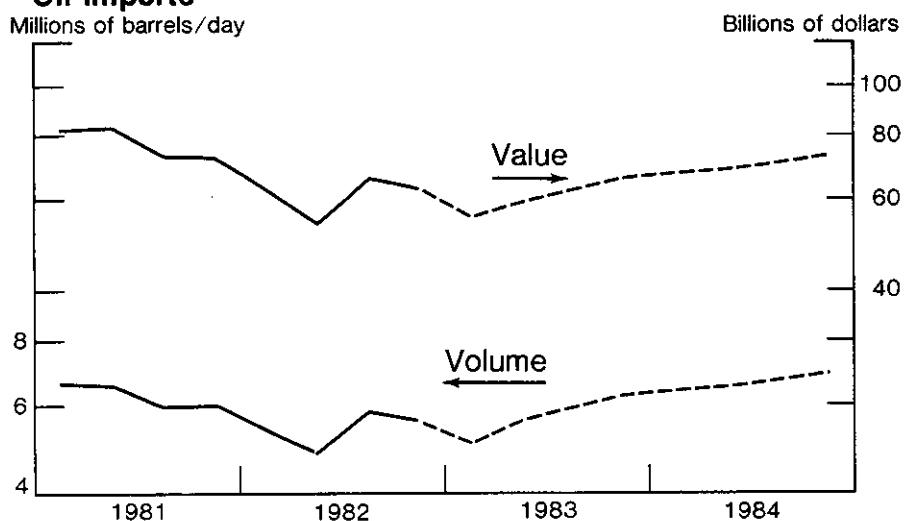


GNP Exports of Goods and Services



Oil Imports

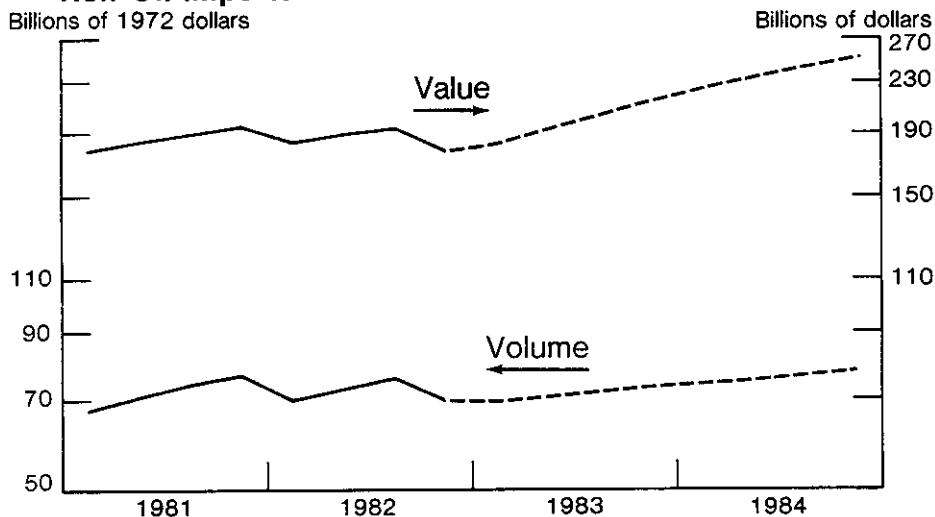
Millions of barrels/day



Average Price of Imported Oil

1981	\$34.00
1982	31.25
Projection	
1983	29.30
1984	29.00

Non-Oil Imports



Billions of dollars

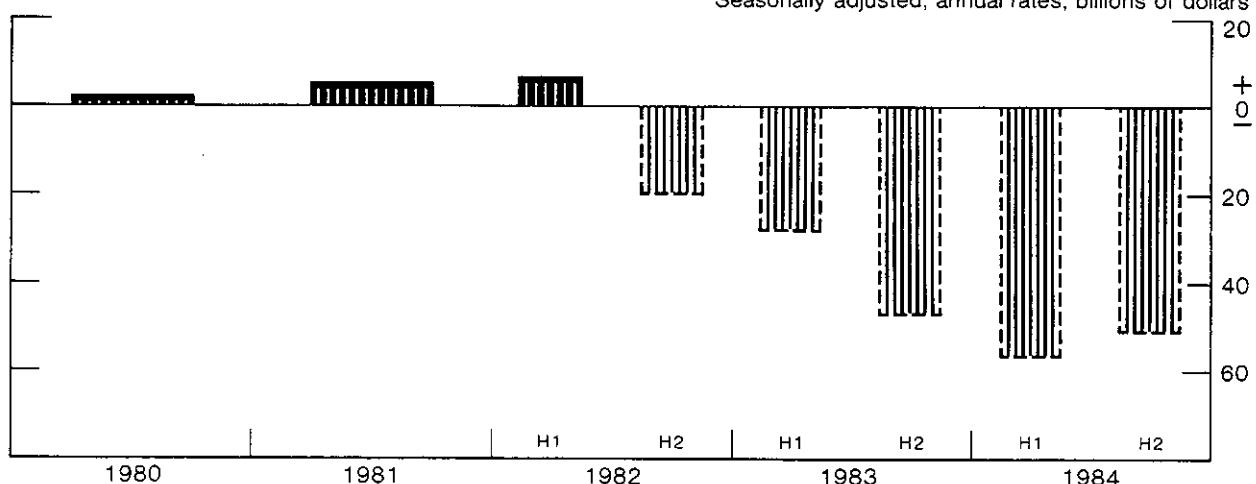
	1981	1982	1983 ^p	1984 ^p
Imports, Goods	264	247	259	307
Exports, Goods	236	211	193	225
Trade Balance	-28	-36	-66	-82
Services, Net	39	37 ^e	38	39
Unilateral Transfers	-7	-8 ^e	-9	-11
Current Account Balance	5	-7 ^e	-37	-54

^e Fourth quarter is estimated.

^p Projection

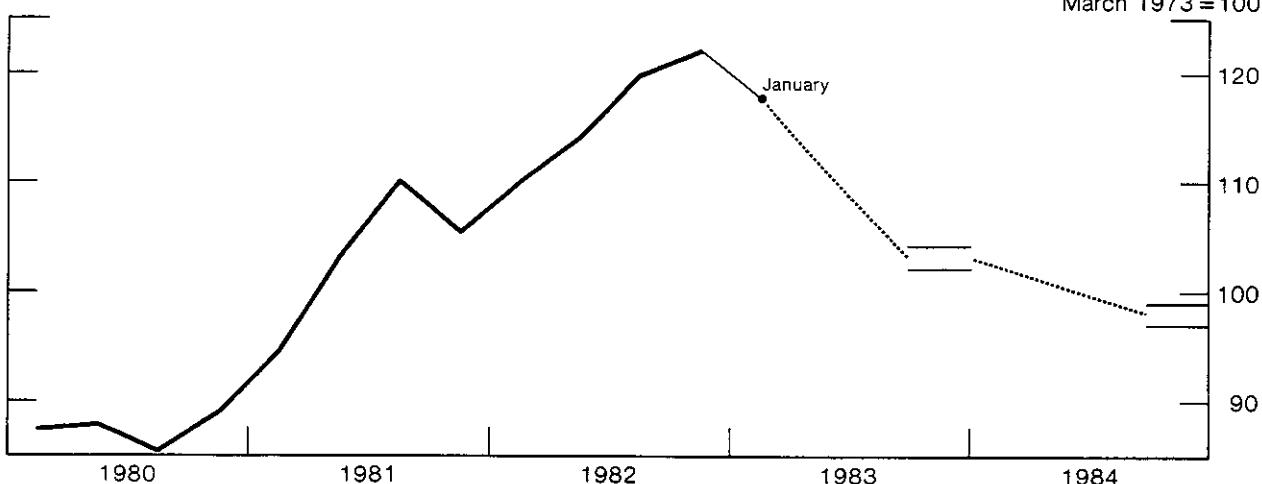
Current Account Balance

Seasonally adjusted, annual rates, billions of dollars



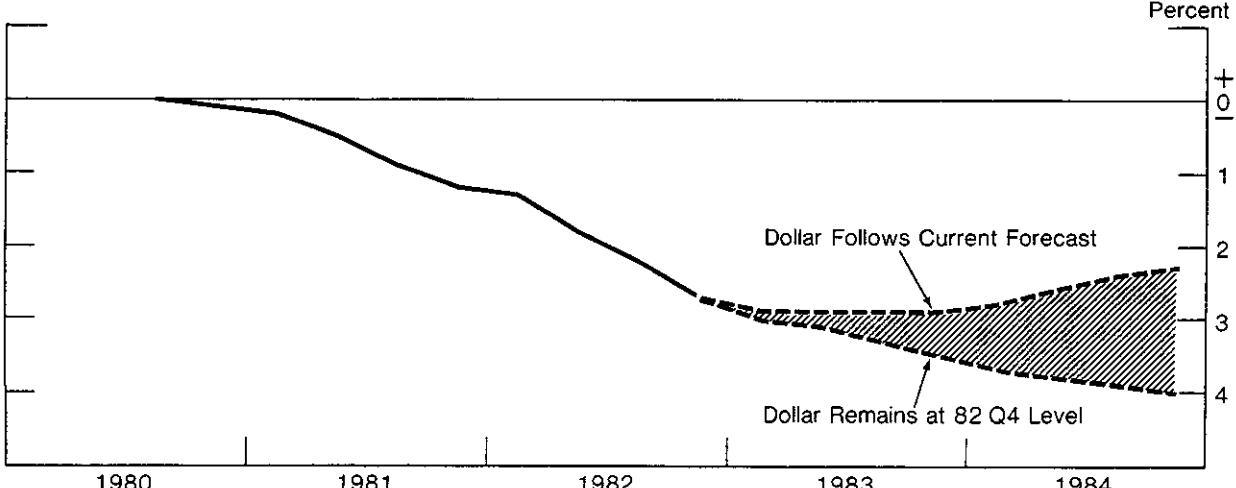
Foreign Exchange Value of the U.S. Dollar

March 1973 = 100



Hypothetical Impact on Price Level of Changes in the Foreign Exchange Value of the U.S. Dollar from 1980 Q3 to 1984 Q4

Percent



U.S. International Transactions

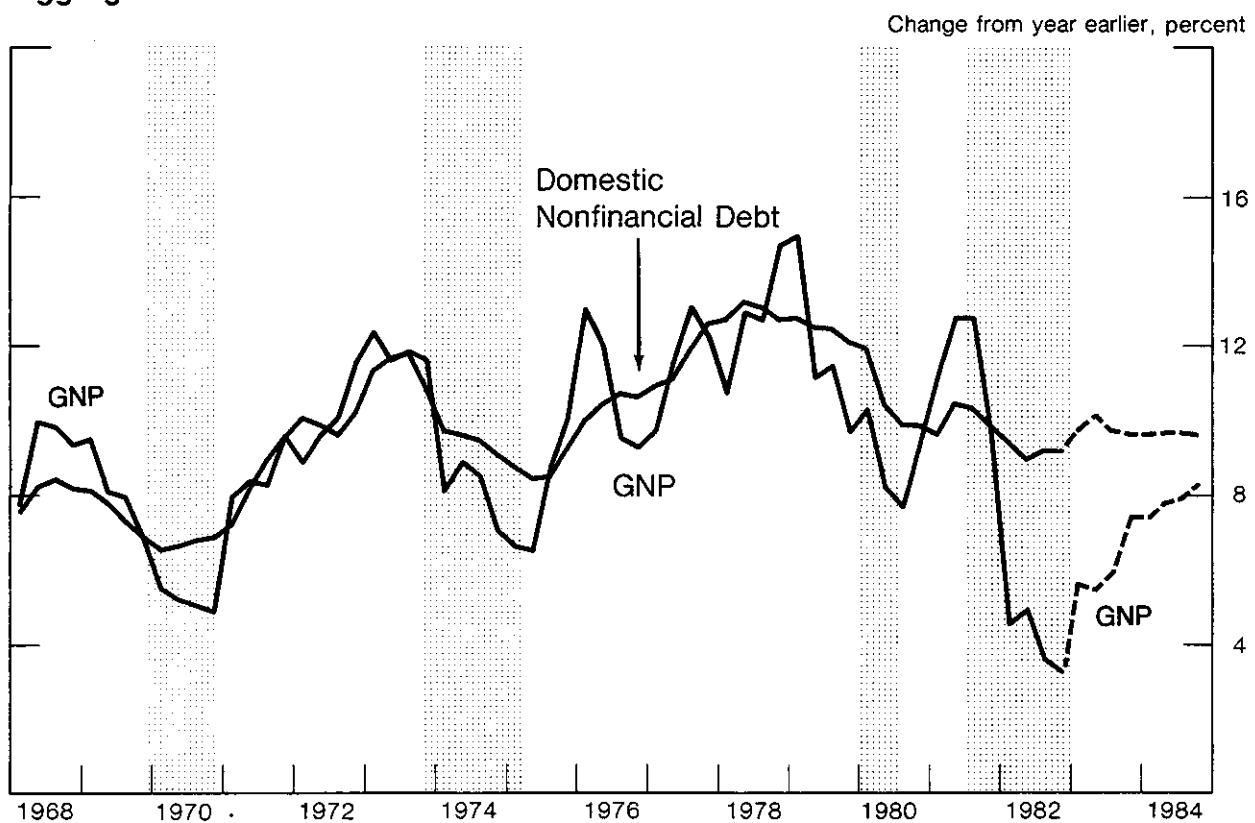
	Billions of dollars								
	1976	1977	1978	1979	1980	1981	1982*	1983 ^P	1984 ^P
1. Current account	4.4	-14.1	-14.8	-0.5	1.5	4.5	-7	-37	-54
less									
2. Reinvested earnings, net	6.0	4.8	8.8	15.0	10.9	8.9	3.5	5	6
plus									
3. Change in U.S. government assets**	-4.2	-3.7	-4.7	-3.7	-5.1	-5.1	-6.5	-6	-6
4. Statistical discrepancy	10.4	-2.5	11.9	25.2	28.9	25.8	30	25	25
5. Subtotal	(4.5)	-25.1	-16.3	6.0	14.5	16.3	(13)	-23	-41
6. Private capital	-19.7	-11.4	-18.0	7.7	-23.0	-17.0	-11		
a. U.S. assets abroad	-36.8	-24.3	-45.9	-40.5	-55.9	-86.0	-115		
b. Foreign assets in the U.S.	17.1	12.9	27.8	48.2	32.8	69.0	104		
7. Official capital	15.1	36.4	34.4	-13.7	8.4	0.7	-2		
a. U.S. assets abroad	-2.6	-0.4	0.7	0.0	-7.0	-4.1	-6		
b. Foreign assets in the U.S.	(17.7)	(36.8)	33.7	-13.7	15.4	(4.8)	4		

*Partially estimated.

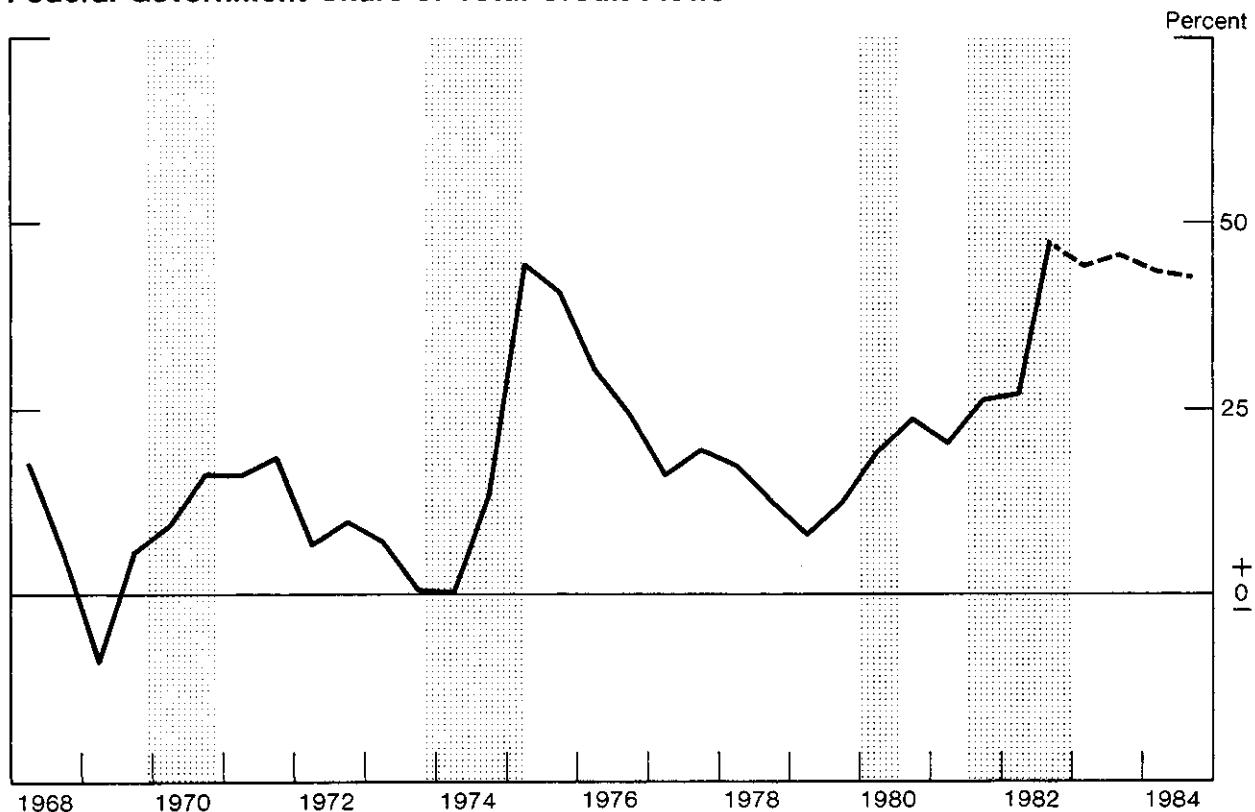
**Other than U.S. official reserve assets, line 7a.

FProjection

Aggregate Credit Flows

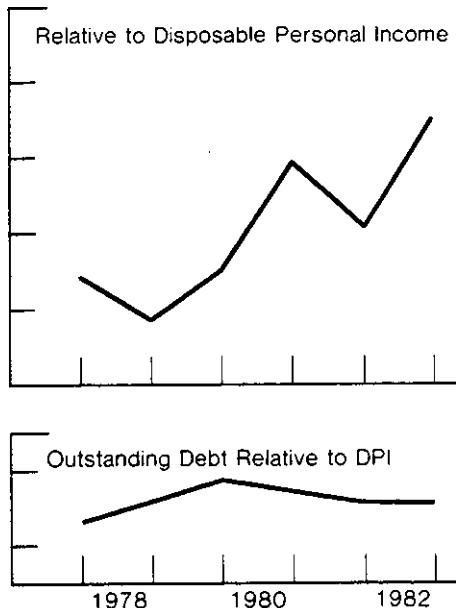


Federal Government Share of Total Credit Flows

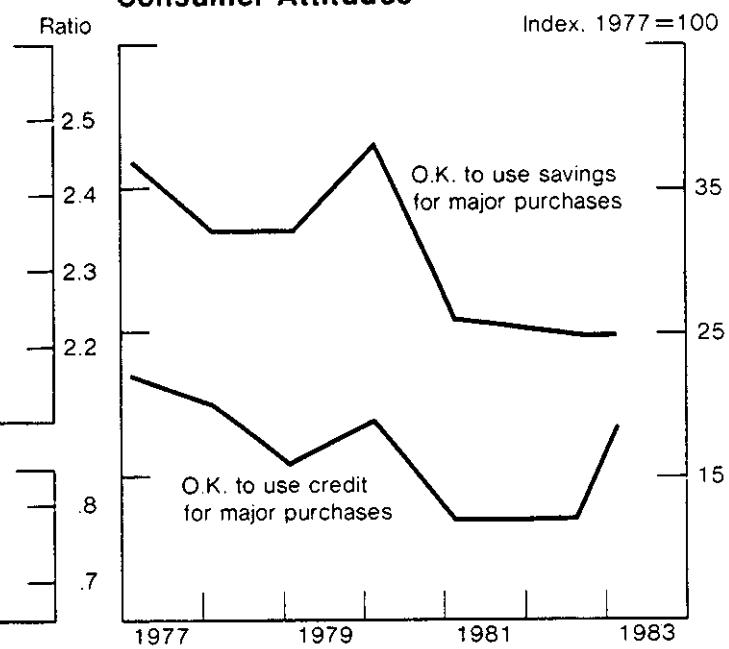


Households

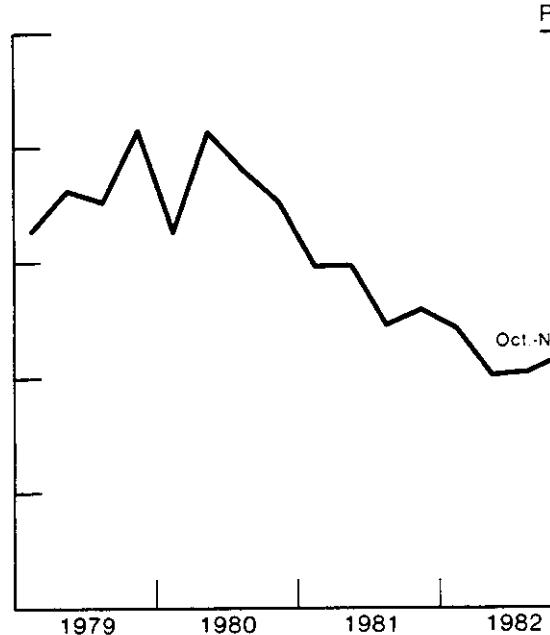
Outstanding Financial Assets



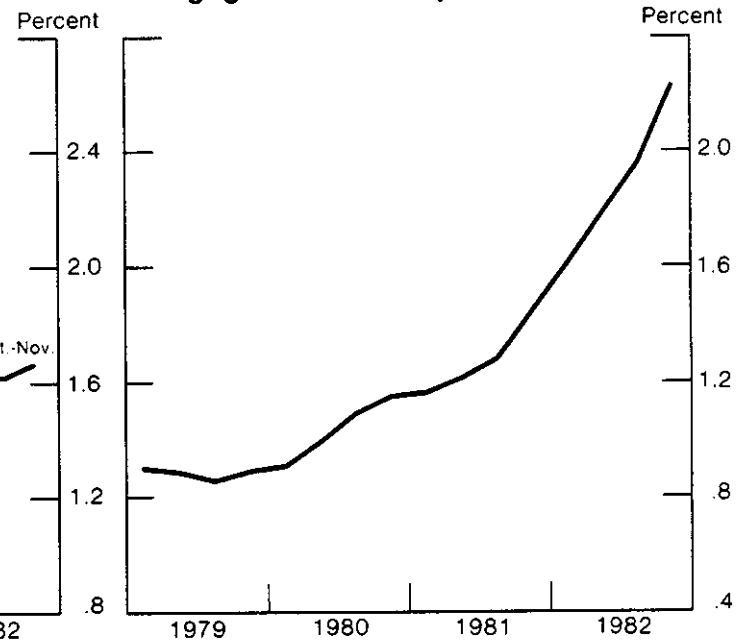
Consumer Attitudes



Consumer Loan Delinquencies

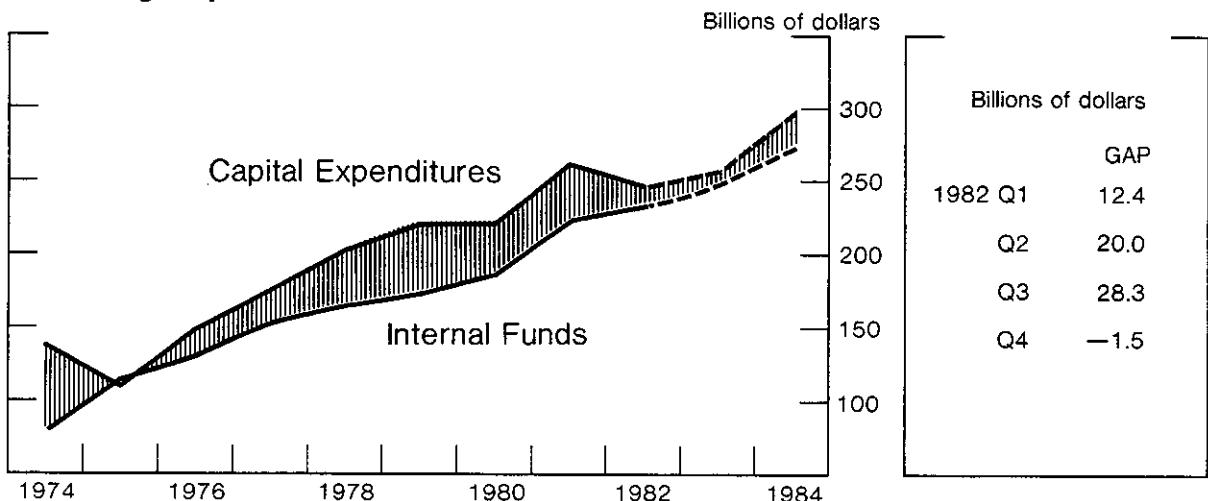


Mortgage Loan Delinquencies

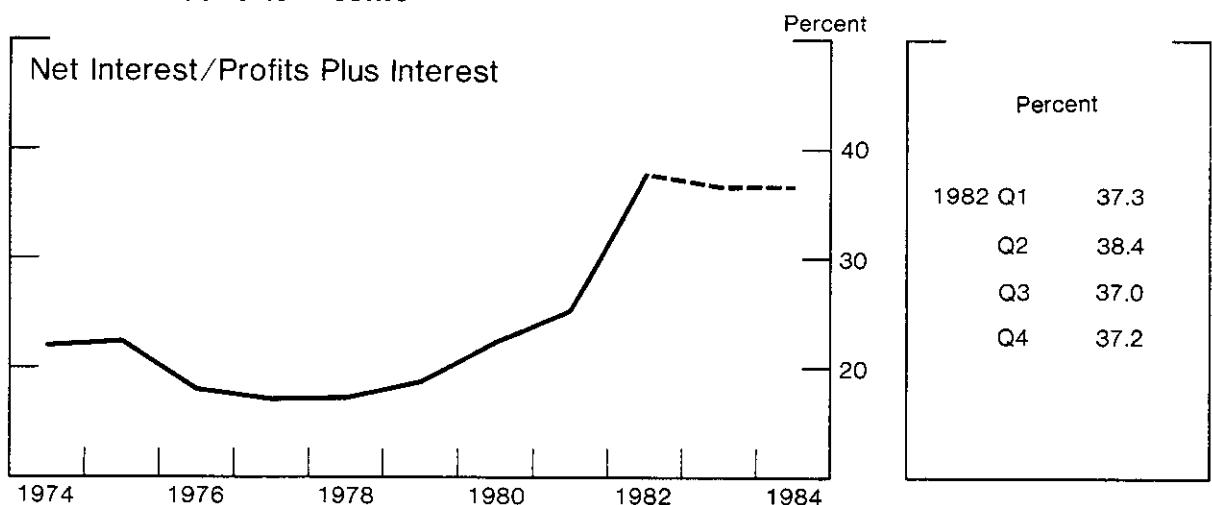


Nonfinancial Corporations

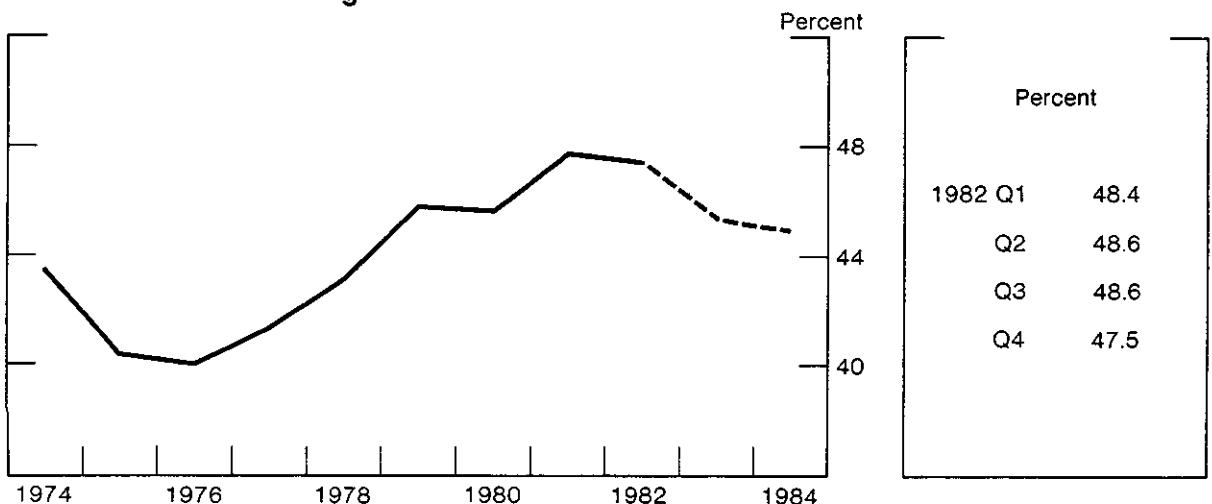
Financing Gap



Interest Relative to Income

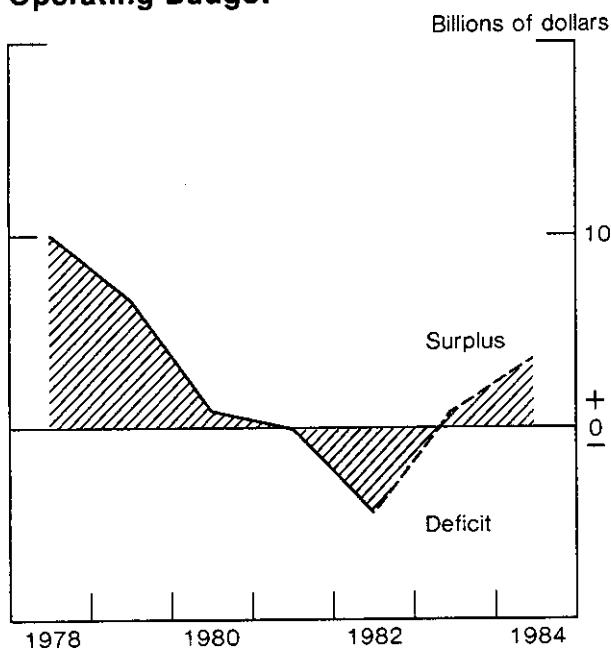


Short-Term Debt Relative to Total Debt Outstanding

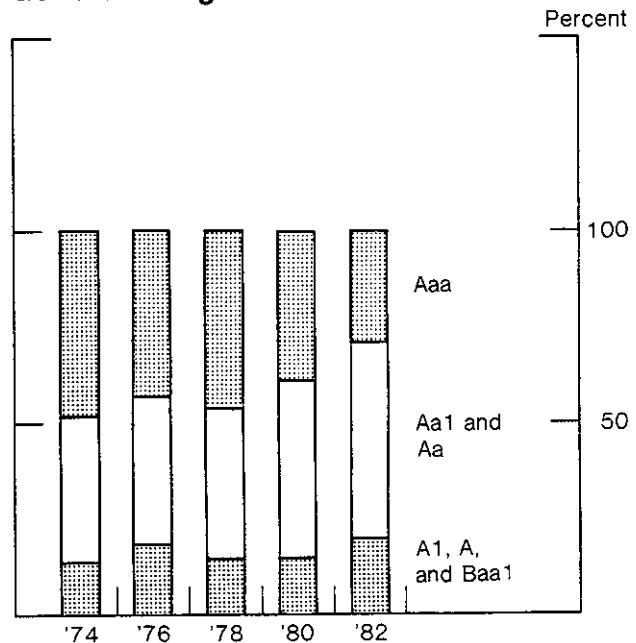


State and Local Government

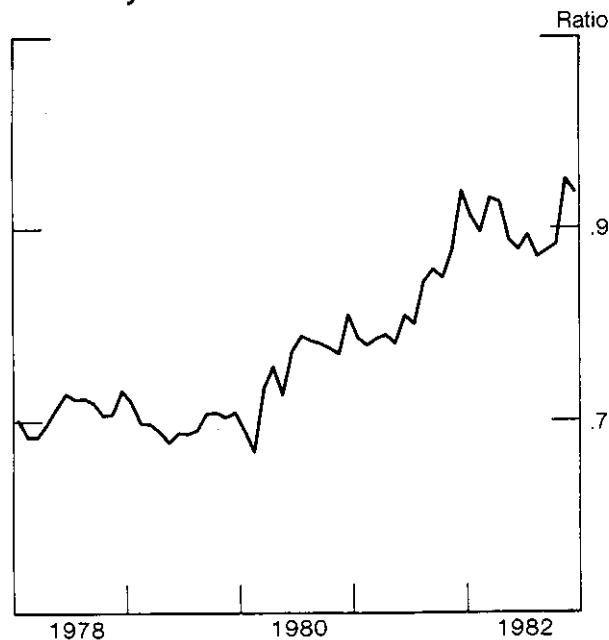
Operating Budget



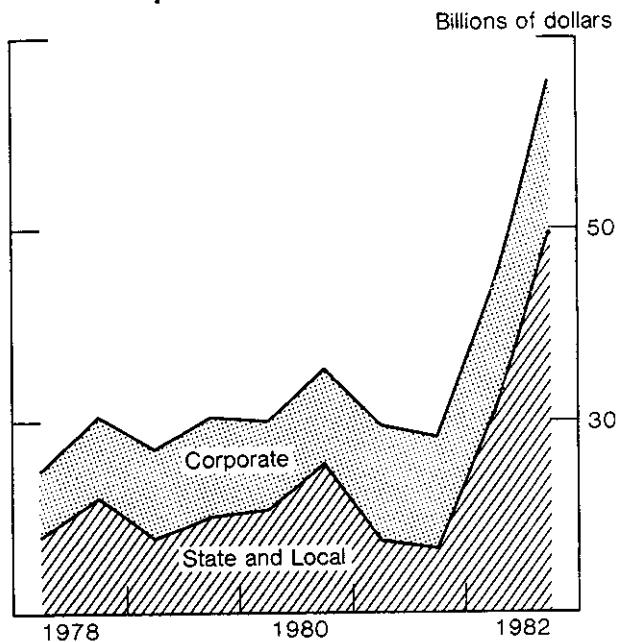
Ratings on State General Obligation Bonds



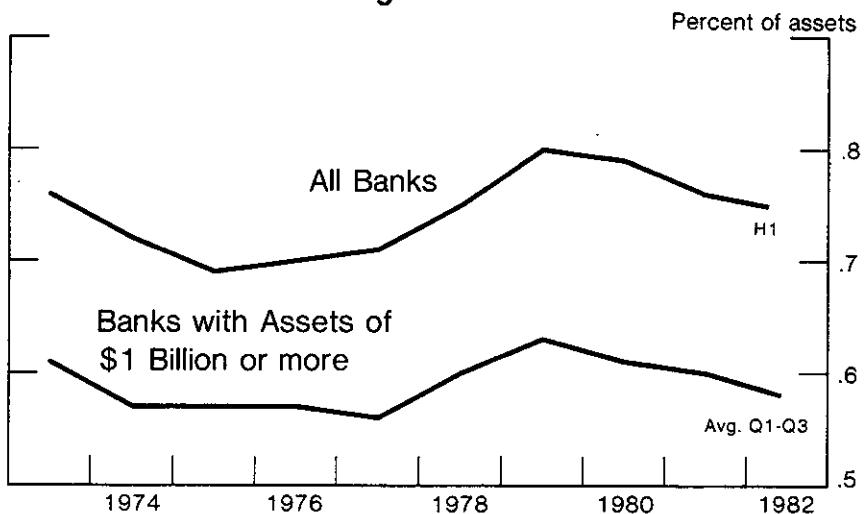
Municipal Bond Yield Relative to Treasury Bond Yield



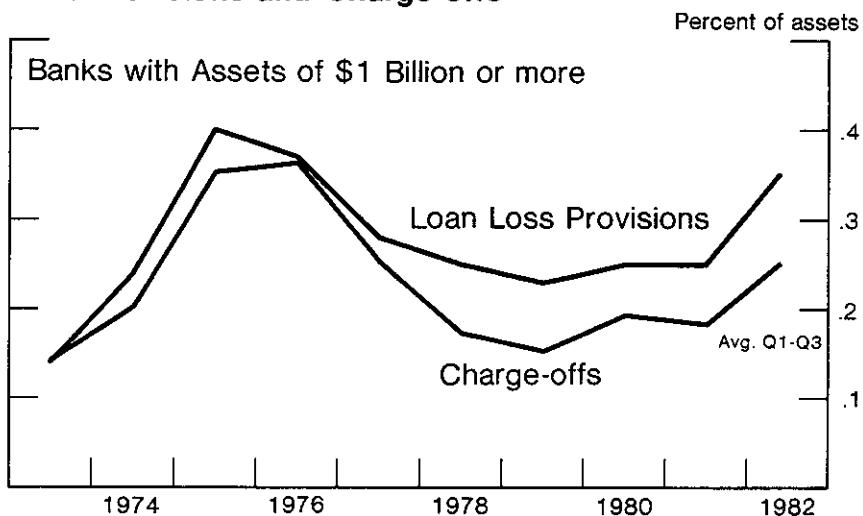
Tax-exempt Bond Issuance



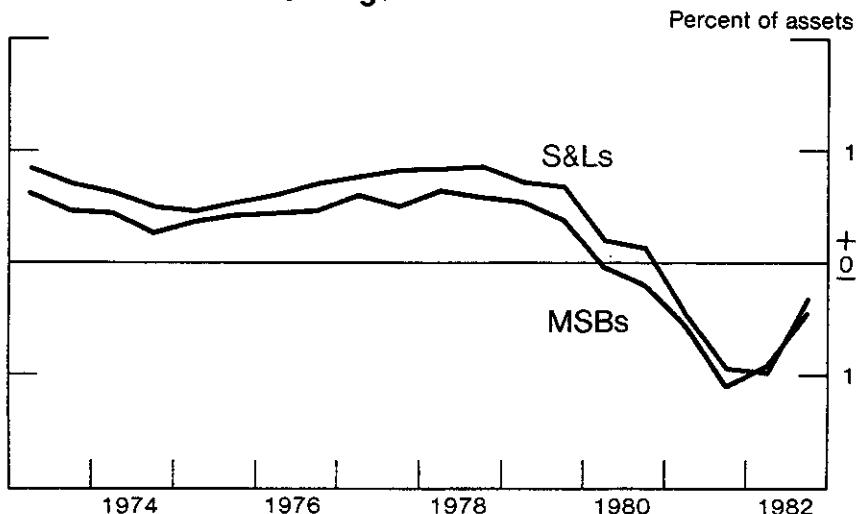
Commercial Bank Earnings



Commercial Bank Loan Loss Provisions and Charge-offs



Thrift Institution Earnings



Forecast Summary

	Board Members		Voting Presidents		Nonvoting Presidents		Staff	Adminis- tration
Percent change	Range	Median	Range	Median	Range	Median		
Nominal GNP								
1983 Q4 to Q4	7½ to 10¼	8¼	7¼ to 11¼	9	8 to 11	8¾	7.5	8.8
1983 annual averages	6 to 8½	6½	5¾ to 9	7	5¾ to 8½	6½	6.1	6.7
Real GNP								
1983 Q4 to Q4	3¼ to 5¼	4	3¼ to 5½	3¾	3 to 5½	4¼	3.5	3.1
1983 annual averages	1½ to 3½	2	1½ to 3½	2	1½ to 3	2	1.8	1.4
GNP Deflator								
1983 Q4 to Q4	3½ to 5	4½	4 to 5¾	5	3¾ to 6	4½	3.9	5.6
1983 annual averages	3¾ to 5	4½	4½ to 5½	5	4 to 5½	4½	4.2	5.2
Average level								
Unemployment Rate								
1983 Q4	9¾ to 10%	10 ½	10 to 10%	10%	10 to 11	10%	10.6	10.4
1983 annual average	10¼ to 11	10¾	10¼ to 11	10%	10¼ to 10¾	10%	10.8	10.7